

SAFE FILE: Czechoslovakia

Government as the sole representative of the Czechoslovak State.

Incidentally, the Czech Minister in Paris, Osusky, was for seventeen years an American citizen, a highly successful lawyer in Chicago, and during the war, one of my hired men when I was running the information on the enemy in the State Department. Indeed, the reputation I then acquired as a prophet was largely due to my use of Osusky's brains.

Our Military Attaché in Prague used to say that all Czechs could be divided into two classes: 1, Masaryk; 2, just Czechs. Osusky has the advantage of being a Slovak!

Good luck.

Bill

a19a03

PSF Safe: Czechoslovakia

trick box

Czech

London, July 26, 1941.

Dear Mr. President:

You will doubtless have seen from my telegram No. 3069 of July 18, 10 p.m., to the Department of State the account of the action taken by the British Government in extending formal recognition to the Czechoslovak Government in London. Prior to this action being taken by the British Government, I had discussed the matter very fully along the lines you desired with Mr. Eden and he gave me on July 1st a confidential memorandum setting forth the Government's attitude toward recognition of Czechoslovakia and various considerations which it was felt must form the basis of such recognition, even though they did not fully meet the wishes of Dr. Benes.

The unconditional recognition of Dr. Benes' Government by Russia presented the British with a fait accompli, as they had not been previously

The President,
The White House,
Washington.

a19601

consulted, and to a certain degree their hand was forced. Mr. Eden's memorandum is therefore past history, but I thought it would be of interest to the Department of State, and possibly to you, to have it as a part of the record, together with an account of oral explanations given by the Foreign Office. I am therefore enclosing a copy of my despatch No. 1013 of July 24 to the Department, together with a copy of the Foreign Office memorandum.

Respectfully yours,

John S. Winant

Enclosure:

As stated.

a19602

LONDON, July 24, 1941.

STRICTLY ~~CONFIDENTIAL~~

DECLASSIFIED

By Authority of State

Dept letter 1-11-72

By J Date 2-8-72

No. 1013

SUBJECT: British Government's Formal
Recognition of the Czechoslovak
Government.

The Honorable

The Secretary of State,
Washington, D.C.

Sir:

1/ With reference to my telegram No. 3069 of July
18, 10 p.m. reporting that the British Government had
extended formal recognition to the Czechoslovak Govern-
ment in London, I have the honor to enclose, as of
background interest, a copy of a memorandum dated July
1, 1941, given me by Mr. Eden, which deals with the
composition of the Czechoslovak Government and the
possible form of recognition to be accorded the latter.

This memorandum proceeds from a conversation which

I/

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By JS Date 2-8-72

I had with Mr. Eden shortly after my return to London, in which I mentioned the President's interest in the inclusion in the Czechoslovak Government of the four principal minorities of the former Czechoslovak State in order that that Government might be made as representative as possible. While the recommendations with respect to recognition contained in the enclosed memorandum have been superceded by the act of formal recognition which the British Government felt it advisable to extend following the step taken in this regard by the Russian Government, I believe that an account of the interim developments, as given by an official of the Foreign Office, may be of some interest to the Department.

It will be recalled from the Embassy's telegram No. 2214 of May 30, 1941, that in reply to Dr. Benes' wish for complete de jure recognition of his Government, the British Government in its communication of May 26 mentioned its concern that such recognition might force the Hacha Government in Prague to take a stand against Dr. Benes or be ejected from office by the Germans. It will be recalled further that the British Government stated in its communication that it wished to be assured that formal recognition of Dr. Benes would not jeopardize the collaboration at present existing between him and the Hacha Government, and would not be detrimental to the common Allied cause. The Foreign Office informs me
that/

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that shortly thereafter Dr. Benes hastened to furnish sweeping assurances in this regard, and that the British Government had then proceeded with a plan for the bestowal of far-reaching formal recognition subject to certain reservations regarding post-war territorial settlements. This plan was submitted to the Dominion Governments which, however, objected to it as going too far, and consequently the British Government withdrew it and substituted the more modest proposals regarding recognition contained in the memorandum attached hereto.

These proposals were still under discussion with the Dominion Governments at the time when the Russian Government bestowed formal recognition on the Benes Government by concluding the agreement mentioned in my telegrams No. 3048 of July 17, 8 p.m. and No. 3049 of July 17, 9 p.m. These developments in a certain sense thus forced the British Government's hand. As mentioned in my telegram No. 3069 of July 18, 10 p.m., the British Government had no opportunity to consult the Dominion authorities but could only inform them of its decision and the steps which it felt should immediately be taken to extend formal recognition. It is believed by the Foreign Office that the Dominions will, however, appreciate the circumstances under which this decision was taken and will likewise not object to the form of the reservations regarding post-war territorial

settlements/

a 19c03

CLASSIFIED
State Dept. Letter, 1-11-72
By JS Date 2-8-72

settlements and the status of the Czechoslovak Government, concerning which they are understood previously to have entertained certain misgivings.

The text of Mr. Eden's note to Dr. Masaryk, the Czechoslovak Foreign Minister, which was cited in my telegram No. 3069 of July 18, 10 p.m. has not been published and, as mentioned in that telegram, should be regarded as secret and confidential. Notices appearing in the British Press on July 19 were confined principally to the statement that the British Government had extended "full recognition" to Dr. Benes as President of the Czechoslovak Republic. It was simultaneously announced that Mr. Philip B. B. Nichols, an official in the British Foreign Office, had been appointed British Minister to the Czechoslovak Government with headquarters in London. It is learned that at the present writing the Czechoslovak Government has not yet announced the appointment of a Minister to the British Government.

Respectfully yours,

John G. Winant.

Enclosure:-
1/ as stated.

JDB:MVG

(A copy of this despatch and enclosure is being sent to the President).

a19c04

Confidential.CLASSIFIED
By Authority of State Dept
Telegram 1-12-72
By JS Date 2-8-72

After the German entry into Prague in March, 1939, His Majesty's Government in the United Kingdom continued to recognise the Czechoslovak Legation in London and Czechoslovak Consulates in British territory. Their position has not changed since and His Majesty's Governments in the Dominions have adopted a similar attitude.

2. After the outbreak of war, His Majesty's Government recognised on 20th December, 1939 the Czechoslovak National Committee "as qualified to represent the Czechoslovak peoples and in particular to make arrangements for the reconstruction of the Czechoslovak army in France."

3. One of the main conditions made by His Majesty's Government for further recognition was that Dr. Benes should be able to secure greater unity among the Czechs and Slovaks abroad. This was finally achieved through a reconciliation between Dr. Benes and the Slovak leader and former Czechoslovak Prime Minister, Dr. Hodza, and on 13th July, 1940 a Provisional Czechoslovak Government was recognised. Viscount Halifax's letter to Dr. Benes conveying this recognition contained the following passage: "His Majesty's Government note that the personnel of this provisional Government is intended to be representative of the Czech and Slovak peoples,

and/

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and it is understood to be the intention that the National Council (to which Dr. Benes had previously referred) should also be fully representative in character and comprise within its membership recognised Czech and Slovak leaders abroad who are not already included in the provisional Government".

5. A list of the members of the Provisional Czechoslovak Government and of the other members of the National Council is attached. The Slovaks are marked with a cross. It will be seen that six of the thirteen members of the Government are Slovaks.

6. In these negotiations with Dr. Benes nothing was said about the inclusion of a Ruthenian representative in the Czechoslovak State machinery since

(a) it was uncertain whether it would eventually prove desirable to press for the return of Ruthenia from Hungary to Czechoslovakia;

(b) Dr. Benes seemed willing to leave this question in abeyance and

(c) there are no outstanding Ruthenian leaders. It will, however, be seen that one representative of Ruthenia is in fact included in the State Council. His Majesty's Government still consider that it would be wiser to leave the Ruthenian question in abeyance and not to prejudge the future of this relatively small and unimportant community.

7. Much thought has, on the other hand, been

given/

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DECLASSIFIED
By Authority of State Dept.
Telegram 1-12-72
By J Date 2-8-72

given to the Sudeten problem and discussions between

Dr. Benes and Dr. Jaksch, leader of the former Sudeten Social Democratic Party, have been encouraged. Dr. Benes has left open six seats in the National Council for Sudeten representatives and has offered one of the two Vice-Presidencies to a Sudeten. Several talks have taken place between Dr. Benes and Dr. Jaksch, but there is little hope of a satisfactory solution in present circumstances for the following reasons:-

- (i) Dr. Jaksch can only speak for one minority Sudeten Party and not for the Sudeten Germans as a whole.
- (ii) Many Czechs at home would be shocked by concessions to Sudeten Germans, whom they hold largely responsible for their present oppression.
- (iii) Dr. Jaksch does not wish to commit himself on the form of Sudeten association with a Czechoslovak State until the future status and internal structure of such a state can be more clearly foreseen at a later stage of the war. For the present, therefore, His Majesty's Government cannot go beyond the attitude they have hitherto taken up that, pending a solution of the difficulties between Dr. Benes and the Sudeten Democratic leaders, they must reserve the position as regards the Czechoslovak Government's exercise of legislative authority over certain Czechoslovak nationals (i.e. Sudeten Germans and other dissident elements) and their property in this country.

8. The conclusion is that it would hardly be possible/

a 19d 03

possible in present circumstances to arrange for a Czechoslovak government and National Council which would be more representative than the administration of Dr. Benes.

9. A further request has now been received from Dr. Benes for full recognition of the Czechoslovak Government on the same basis as other Allied Governments now in England. Dr Benes and his administration already receive in practice almost identical treatment with the other Allied Governments now in the United Kingdom, and there are difficulties in the way of meeting Dr. Benes' request for full recognition. It is however important to give further encouragement to the Czechoslovak population at home and to show them that their leaders in London are regarded as being on the same level with the other exiled national leaders now here. His Majesty's Government are therefore contemplating the following intermediate solution which they understand might satisfy Dr. Benes for the time being,

(1) The term "Provisional" would no longer in practice be used to describe the Czechoslovak Government, but this would not mean that full recognition had been accorded.

(2) An official of Ministerial rank would be appointed as "British Diplomatic Representative to the Czechoslovak Government". A "Czechoslovak Diplomatic Representative" would be received in return if the Czechoslovak

Government wished to appoint one in addition to or instead

DECLASSIFIED

By Authority of State

of the/

Dept Telegram 1-12-72

By JH Date 2-8-72

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of the present Czechoslovak Chargé d'Affaires. These Representatives would not present letters of credence, and their appointment would not involve full recognition.

10. When putting this proposal to Dr. Benes, His Majesty's Government would (a) repeat the statement made at the time of the recognition of the Provisional Government that they do not commit themselves to recognise or support the establishment in the future of any particular frontiers in Central Europe: (b) repeat the reservation discussed above regarding the position of Sudeten Germans and other dissident elements: (c) maintain their present attitude of reserve regarding Dr. Benes' claim that there has been no interruption in the juridical continuity of the Czechoslovak Republic and to set aside this question for consideration at the appropriate moment.

FOREIGN OFFICE, S.W.1.

1st July, 1941.

DECLASSIFIED

Authority of State Dept

Telegram 1-12-72

By JS Date 2-8-72

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A.- Thirteen Members of the Government.

M.J. Sramek.
General S. Ingr.
× General R. Viest.
Dr. E. Outrata.
Dr. H. Ripka.
× M. Jan Masaryk.
× M. J. Lichner.
× Dr. S. Osusky.
× M. J. Bečko.
M. F. Nomec.
Dr. L. Feierabend.
Dr. J. Nečas.
× Dr. J. Slavík.

B.- Eleven Former Parliamentary Deputies.

M. R. Bechyne, Social Democrat.
× Dr. M. Hořza, Agrarian.
× Mgr. Macháček, Slovak People's party.
Mme. Jurnečková-Vorlova, Social Democrat.
M. B. Laušman, Social Democrat.
M. R. Smetanka, National Union party.
M. F. Uhlir, National Socialist.
M. Vojta Beneš, National Socialist.
Professor J. B. Kozak, National Socialist.
M. V. David, National Socialist.

C.- Eight Experts and Specialists.

Dr. F. Hála, General Secretary of the Catholic party.
Professor L. Klecanda.
Dr. Julius Fuerth, the leading Czech publisher.
Dr. Friedman, former head of economic section of
Czechoslovak Foreign Office.
Captain Gustav Kleinberg, Legionary.
× M. Vido, former member of the Industrial party.
Dr. Pavel Cibere, representative of Sub-Carpathian
Ruthenia.
× Dr. Jan Čaplovič, Social Democrat economist.

a 19c01

SAFE FILE: Egypt

Cock But

Safe: Egypt

JW
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (br)

Cairo
Dated December 24, 1941
Rec'd 8:54 a.m., 25th.

Secretary of State,
Washington.

2015, December 24, 5 p.m. (SECTION ONE)

My 1935, December 10, 2 p.m.

The following was characteristic comment in
the Arabic broadcasts of Berlin and Bari during the
period: December 8 to 22: Berlin.

One. More emphasis was placed than usual on
factual presentation of the news, particularly
British and American reverses in the Far East as
reported by Japanese sources. Typical comment
" acting under Jewish orders and influence President
Roosevelt bears upon his shoulders the responsibility
for this war. Churchill is his partner in crime and
Japan by her successes in the Pacific is avenging the
Arab cause against the British tyranny and oppression".

" Two. The NUFTI had a conference with Hitler
and Ribbentrop in the course of which matters of
great importance to the future of the Arab world
were discussed. The Fuehrer has always supported
the Arab cause and deplored the vicissitudes
suffered

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-2- # 2015, December 24, 5 p.m. (SECTION ONE) from Cairo

suffered by the Arabs at the hands of the British and the Jews. A further token of the respect of the Fuehrer for the Mufti and the cause he represents was furnished by the Mufti's being given a place of honor on the occasion of the delivery of Hitler's speech of December 11.

KIRK

KLP

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LM
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (br)

Cairo

Dated December 24, 1941

Rec'd 4:10 a.m., 27th

Secretary of State,

Washington.

2015, December 24, 5 p.m. (SECTION TWO)

Three. Despite heavy losses in Libya the British have failed to achieve their objectives. In any event "the War will not be settled on the sands of Libya".

Four. The Germans are taking new positions for the winter in Russia but retain complete supremacy. In the winters of 1939 and 1940 the Germans also went into winter quarters but in the following springs achieved great victories. The spring of 1942 will witness even greater German achievements.

Five. Bullitt "the Jewish spy" came to Cairo ostensibly to discuss aid to the British but actually to plot with Littleton against the Arabs.

Six. "Roosevelt the war-monger has ordered his servant Churchill to come to him. Churchill has done as his master and has gone to the White House which is full of Jews. The type of conversations

which will

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-2- #2015, December 24, 5 p.m. (SECTION TWO) from Cairo

which will take place is known already. The Arabs know that the Atlantic meeting resulted in the occupation of Syria and Moslem Iraq after which no more was heard of the determination to save oppressed and weak nations."

Bari:

One. Like Berlin featured news reports from the Far East from Japanese sources. Typical comment: "The Tripartite powers are fighting against the Anglo-Saxon plutocrats, the Jews and the Bolsheviks and are therefore fighting for the Arab cause."

Two. The Fuhrer's December 11 speech was greatly appreciated in Arab centers and particularly at Tetuan and Tunis.

Three. Best wishes extended to Princess Fatia, sister of King Farouk, on her birthday. In reporting the departure of Egyptian pilgrims Egypt was referred to as "the chief and Islamic country and the cradle of pan-Islam."

Four. The British were planning to attack Afghanistan when their plans were frustrated by the outbreak of war in the Pacific.

Five.

Q 20602

-3- #2015, December 24, 5 p.m. (SECTION TWO) from Cairo

Five. By concluding a bogus treaty with Iran the British are endeavoring to give an appearance of legal validity to their occupation of the country.

Six. The Royal Air Force has been attempting to intimidate the Iraqis by bombing the civilian population.

Seven. Bullitt came to Cairo to arrange with Littleton the turning over to the Jews of the agricultural land of the Arabs who are to be driven from the Mediterranean coast to the barren desert. The Egyptian Government was compelled to extend hospitality to Bullitt but when it asked for American aid in supplying needed foodstuffs to Egypt Bullitt refused. (END OF MESSAGE)

KIRK

HSM

Q20603

*What is the
file
for*

THE WHITE HOUSE
WASHINGTON

*PSF
Safe*

Ethiopia

September 3, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Agreement between the British and Haile Sellassie

During my trip I had an opportunity to examine the Agreement between the British Government and Haile Sellassie. The details are interesting and provide material for reflection on the future peace-making problems of the United Nations.

Although the agreement was signed after the Atlantic Charter - in January, 1942, in fact - it reduces Abyssinia to a status comparable to that of "Manchoukuo" as a complete puppet state. If the Axis propaganda ever gets hold of this agreement, it can make a savage attack on the democratic aims of the United Nations.

Some of the provisions are as follows:

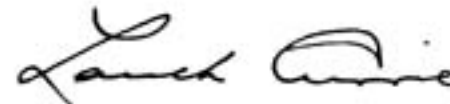
1. The British Diplomatic Representative is given precedence "over any other foreign Representative." In addition, the British officer commanding in East Africa is given right of direct access to Haile Sellassie, with precedence immediately after the British diplomatic representative. Thus two British representatives stand between the Emperor and any other foreign representative.
 2. The British may maintain forces in Ethiopia as long as they themselves consider necessary; also a police force; and the police force will be in charge of the "safety and good order" of Addis Ababa itself. British military jurisdiction will include "a continuous belt of Ethiopian territory 25 miles wide" which will include "all land within Ethiopia occupied by the Franco-Ethiopian railway and its appurtenances."
 3. The Ethiopians are to engage a number of British advisors, and no other advisors are to be engaged without consulting the British.
 4. In all currency matters, Britain must be consulted and British "concurrence" secured.
 5. No foreign aircraft may fly "to, in or over Ethiopia" without British concurrence.
 6. The British will subsidize Ethiopia as follows: first year, one and a half million pounds; 2nd year, one million; 3rd year, (if agreement remains in force), half a million; 4th year (if still extended), quarter of a million. In return, the British are to make no payment for use of "immovable property."
 7. The British acquire custody of all prisoners of war, and "the administration, control and evacuation of Italian civilians."
- a21a01*

-2-

8. The British have "military operation, management and maintenance" of the railway for as long as they think necessary.

9. The British acquire all Italian military booty; out of this they may arm an Ethiopian army which is to be raised and trained by a British Military Mission.

10. "His Majesty the Emperor will at the request of the General Officer Commanding the British forces in East Africa, requisition and hand over to the British forces any private property subject to the reasonable needs of Ethiopia."



Lauchlin Currie

q21a02

SAFE FILE: Far East

Safe: Far East
Ben

TODAY.

MEMO FOR THE PRESIDENT
TO READ TO THE CABINET

MG

This message must be closely paraphrased before being communicated to anyone. (BR)

Bangkok

Dated September 2, 1940.

Rec'd 7 a.m.

Secretary of State,
Washington.

66, September 2, 10 a.m.

~~CONFIDENTIAL~~ FOR THE SECRETARY.

Roy Howard, newspaper publisher, stopped in Bangkok last night between planes en route to various points in the Far East including Chungking, Manila and possibly Tokyo. Accompanied by the leading American businessman in Siam, Howard called to see me at the Legation and launched into a bitter attack on the President, accusing him of bad faith in inviting him Howard to go on a mission to South America, alleging that the President was down and out physically and mentally, that he had made a mess of our foreign affairs during the crisis and that he is desirous of leading the country into war. Apparently Howard is out on a political junket to discredit the administration among the political and business leaders in the Far East and at the same time to collect data for a subsequent attack on the administration's Far Eastern policy.

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Page 2, No. 66 from Bangkok

policy. He made a vague statement to the effect that the administration had bungled the Japanese question and he was inquisitive as to the relations between High Commissioner Sayre and President Quezon on the basis of my recent contacts with these officials in Manila.

GRANT

RR

a22a02

EG

This message must be closely paraphrased before being communicated to anyone. (Br)

Mexico City

Dated September 6, 1939

Rec'd 12:02 a.m., Sept. 7th

Secretary of State,
Washington.

272, September 6, 6 p.m.

We have learned very confidentially from the French Legation that the day after war was declared by France on Germany, Suarez sent for the French Commercial Attache to make him a proposition to have either the French Government or French private interests make extensive purchases of Mexico. At the same time he offered to work out a plan of industrial collaboration with the French. The French Commercial Attache had for some time prior to the declaration of war urged his Government to consider the purchase of Mexican oil in exchange for French exports. He has never received any reply to these suggestions from the French Government and French Legation considers it unlikely that the French Government will at present favorably consider offers of oil from Mexico. They consider the suggestion of industrial collaboration made by Suarez to be impracticable.

We

a23a01

-2- #272, September 6, 6 p.m. from Mexico City

We learn informally and confidentially from Petroleos Mexicanos that the German Legation and the Mexican Government have reached an understanding to continue shipments of oil to Germany via Italy and to receive German or Italian goods in return via Italy.

DANIELS

JRL:RR

a23a02

KD
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

(Paris)
Vichy

Dated August 1, 1941

Rec'd. 7:22 a.m., 2d

Secretary of State,
Washington.

970, August 1, 4 p. m. (SECTION FOUR)

I asked them if they had no fears that when the Russian campaign has progressed further the Germans may turn toward Africa. Darlan replied, "Everyone is interested in Africa ourselves, the German, the British and the United States. But as I have told the Marshal for the past year, it will be the Germans who will get there first. They can close the Straits and land in Spanish Morocco. We have means of defending ourselves against a landing from the sea but we cannot prevent, with our lack of equipment, a land operation from the Spanish Zone. My son has just returned from Spain and counted 120 batteries of artillery directed against Gibraltar and they did not look to him like Spanish guns. It would be simple enough for the Germans to take a force across to Morocco, but they are not interested themselves in that area. What they fear is a British, American or Gaullist move. They did not even send a control commission to Africa until the

de Gaulle

a23aa01

-2- #970, August 1, 4 p.m. (SECTION FOUR), from (Paris).

de Gaulle radio started up their fears that the area might fall into the enemy's hands.

LEAHY.

ALC

a23aa02



DEPARTMENT OF STATE
WASHINGTON

September 7, 1939.

The Secretary of State encloses copies of the
telegrams and despatches indicated below.

Since some of this material was transmitted in
one of the Department's confidential codes, it would
be appreciated if the enclosures could be returned to
the Department as soon as convenient for appropriate
disposition.

Enclosures:

Telegrams Nos. 272, Mexico City;
521, Chungking.

a23601

KD
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

(Paris)
Vichy

Dated August 1, 1941

Rec'd. 6:46 a.m., 2d

Secretary of State,
Washington.

970, August 1, 4 p. m. (SECTION ⁵TWO)

The Marshal then stated, glancing at a paper which had been prepared for him, that he understands our press is becoming very critical of France and that it is urging either an American or British attack on Dakar, or a Gaullist move "so that France could not say the Colony was being taken from her." "That," said the Marshal, "we cannot, of course, accept."

As to the Russian campaign about which they talked later, the Admiral said that we must recognize that Germany has rendered a great service to Europe; that the Russian Army has proved much stronger than anyone, including the Germans had thought, both as to quantities of material and the qualities of its General Staff. That Army would have swept over the entire Europe had the Germans not attacked them and one only had to look at the faces of Russian soldiers to guess what would be left of the Continent. Russian losses

WERE

a236601

-2- #970, August 1, 4 p.m. (SECTION TWO), from (Paris).

were terrific and the German soldiers are worn out shooting down the masses of men thrown against them.

LEAHY.

ALC

a23bb02

PSF Safe: France

France

October 9, 1939.

French purchases in the United States

Since the war broke out, the French Air Mission has placed to date the following orders, subject to a contingent clause in case the embargo on arms should not be lifted:

1) Contracts signed:

* Not affected by the embargo	General Electric (128 searchlights, 384 power plants 640 trucks	\$ 5.650.000
	Sperry Gyroscope (256 searchlights 256 sound locators	5.950.000
	United Aircraft (2.250 engines, latest model Pratt Whitney SC4G)	41.000.000
	Glenn Martin (130 planes, bombers M167)	13.400.000
	Curtiss (630 planes: 530 P. 36 ^{First delivery} and 100 P 40 ^{June delivery})	23.500.000
	Wright (1440 engines)	28.000.000

2) Contracts to be signed within a week:

<i>cancelled</i> —	Beechcraft (500 planes)	27.000.000
	North American (200 planes Model BT9 same as pre war order)	4.400.000
	Douglas (150 planes DB 7)	10.400.000
		<hr/> 159.300.000

The Curtiss, Glenn Martin and Douglas are to be equipped with engines Pratt Whitney SC4G.

a23c01

The French Air mission contemplates to purchase 100 more Douglas. If the U.S. Army gives the release for the latest Douglas A 20, the additional purchase would be 150 ships. General Arnold's decision will be known in a few days.

Need very
badly.

X Searchlights. The French Government needs very badly the searchlights which are not subject to the embargo, and would be of the utmost value for the anti aircraft defense of the big cities. Under the contracts the deliveries are to start in February but will not be important before April. The U.S. Army has placed a large order for the same searchlights, and the deliveries will start in November. Would it be possible to shift the deliveries from the American to the French contract.

a23c02

Orders placed in Paris

(Contracts to be signed here)

1) Machine tools

Cincinnati Milling	- 120 machine tools	\$ 800.00
Brown & Sharp	350 " "	2.500.00
National Acme	50 " "	400.00

2) Trucks and motorbicycles

White	2.500 trucks	Price not yet settled
Studebaker	2.500 "	"
Indian	5.000 motorbicycles	"

023003

LET
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

(Paris)
Vichy

Dated August 1, 1941

Rec'd. 7:33 a. m., 2nd.

Secretary of State,
Washington.

970, August 1, 4 p.m. (SECTION SIX)

The Germans would not tell him, he said, the figures of their losses but admitted that both in planes and manpower they were "high". Furthermore, their progress was slow! They had told him they would finish in three weeks and they had not done so. Now, however, they were through the strongest areas of Russian defence and everyone knows that the Russian engineers are the best in the world for building defence works. From now on German progress should be quicker. "There will, however, be famine for Europe and the plague is already breaking out," the Marshal interjected.

Turning once more to the United States and complaining that we are quite ready with criticism but slow in action, Darlan said: "When you have three thousand tanks, six thousand planes and five hundred thousand men to bring to Marseilles, let me know. Then we shall welcome you. But neither side can win the war and Europe will be exhausted. It is to your interest, as well as to ours, that there be an early peace".

Repeated to Algiers. (END OF MESSAGE)

HPD

LEAHY

a23cc01

PSF Safe: France

October 16, 1939.

French purchases in the United States.

Since October 9, the French ~~Air~~ Commission has placed to date the following orders, subject to a contingent clause in case the embargo on arms should not be lifted:

1). Contracts signed:

North American: 200 planes Model BT9, same as pre-war order, and 40 spare engines.....	\$ 5,501,473.20
Douglas: 170 planes DB7 and spare parts.....	15,838,305.00
United Aircraft: 600 engines and 600 propellers... (option lifted on a previous contract)	7,591,000.00
Indian Motorcycle Co.: 5000 motorcycles.....	2,409,750.00

2). Contracts to be signed:

Douglas: 100 planes A.20, subject to decision of U.S. Army.....	Price not yet settled.
Wright: 455 motors double speed.....	"

a23d01

THE UNDER SECRETARY OF STATE
WASHINGTON

August 25, 1941

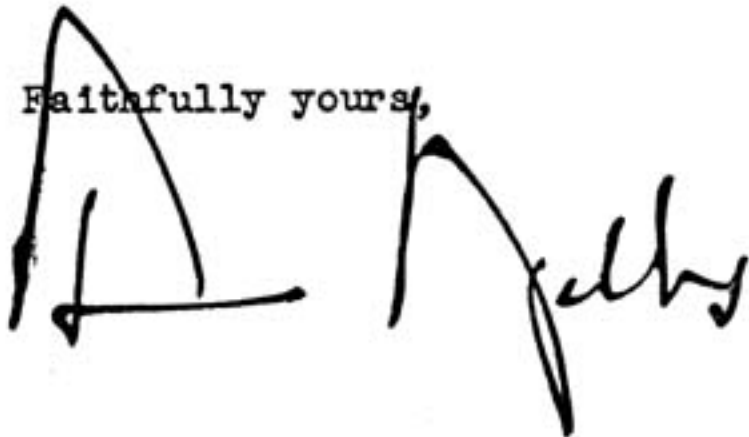
file
part

My dear Mr. President:

I am bringing this telegram from Murphy in
Algiers to your personal attention since I believe
you will find it as satisfactory as it can be,
granted present conditions.

Believe me

Faithfully yours,



Enc.
Telegram 428,
Algiers

The President,
The White House.

023dd01

France

Safe: Chance

October 30, 1939.

French purchases in the United States.

Since October 23, the French Missions have placed to date the following orders, subject to a contingent clause in case the arms embargo should not be lifted.

- 1.- WHITE MOTOR CO., Cleveland Ohio. Contract of
October 19, 1939. 1500 trucks at \$2,008.98 F.O.B.
Cleveland.....\$ 3,013,470.-
spare parts..... 100,000.-
TOTAL amount of contract.....\$ 3,113,470.-

- 2.- E.W. BLISS CO, Brooklyn, N.Y. Contract of
October 24, 1939. 3 machine tools (presses).....\$ 112,000.-

- 3.- CHRYSLER CORPN., Detroit, Michigan. Contract of
October 26, 1939. 1500 trucks type VH48 at \$1,134.75: \$ 1,702,125.-

- 4.- DOUGLAS. 100 motors DB7. Contract of October 20, 1939: \$10,483,200.-

- 5.- CURTISS WRIGHT. propellers.
Contract of October 31, 1939: \$ 9,158,125.-

a23e01

-2- No. 428, August 24, 1941, 10 a.m. (Sec. 1)
from Algiers.

nomination would be impossible; that it would cause
an open rupture with the Germans who "he knew" would
be violently opposed.

COLE.

HTM

a23ec02

PSF Life: France

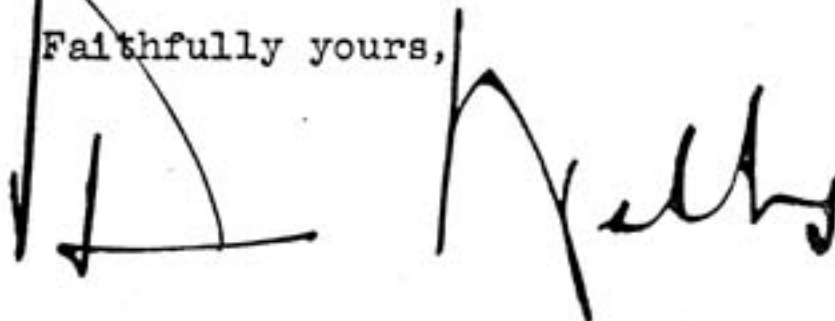
DEPARTMENT OF STATE
WASHINGTON

June 12, 1940

My dear Mr. President:

Mr. Mahoney, the Canadian Chargé d'Affaires ad interim, called at the Department on June 12th and left a copy of a telegram dated June 10th from the Canadian Minister in France to the Secretary of State for External Affairs at Ottawa, with the request that this telegram be transmitted to you. I enclose a copy of this telegram.

Faithfully yours,



Enclosure:

Copy of telegram dated
June 10, 1940.

The President,

The White House.

a23fol

COPY

"R"

TELEGRAM

From The Canadian Minister in France

To The Secretary of State for External Affairs, Canada

~~MOST SECRET~~ AND PERSONAL

CYPHER

Paris, June 10th, 1940.

No. 135

No. 135. ~~Most Secret~~ and Personal. Military Attache has asked me to send the following message, Begin

I was received by General Weygand late last night at his G.H.Q. Colonel Horace H. Fuller, United States Military Attache at Paris accompanied me.

General Weygand stated:

(1) Present situation very critical and not hopeful;

(2) Enemy have great numerical superiority in men including fresh divisions;

(3) French have inflicted heavy losses on the enemy, men and war material, but French have suffered heavy losses;

(4) French will continue fighting as long as the men have arms; this statement made twice in the course of conversation. As heavy casualties occur on both sides Germany will still have considerable strength when France completely exhausted;

(5) French have no reserve war material having put all available men and armaments into the fight. French and British armies lost great quantities of equipment of all kinds in northern France. His only hope was to obtain equipment already promised from the United States. He ~~also~~ mentioned 75 calibre field guns

particularly, /

a23402

particularly, but there is also question of planes and other articles. French Armament Bureau, War ministry informs me only 6 tanks and 12 field pieces available as replacements;

(6) Four divisions are expected to land in France from the British Isles during entire course of the present month. General Weygand expects First Canadian Division in France within two or three days;

(7) General Weygand satisfied that the British are sending as many reinforcements as warranted by available stocks of armaments. Would be necessary French supply guns to some British divisions but have no spare guns;

(8) No greater efforts could possibly be asked of French armies; General Weygand had nothing but admiration for his men who are fighting without^{hope}/of having any rest;

(9) Long resistance impossible unless the United States declares war immediately. Germany would then reconsider her position and such action on the part of the United States would make Allied victory possible;

(10) Doumenc, Chief of Staff to General Weygand, repeated that the French armies will fight as long as arms available.

General Weygand's remarks can be summed up in one way only: Those who can help must do so now. Ends.

CANADIAN MINISTER

a23f03

PM

This telegram must be closely paraphrased before being communicated to anyone. (SC)

Algiers

Dated August 24, 1941.

Rec'd 4:45 p.m.

Secretary of State,
Washington.

428, August 24, 10 a.m. (SECTION TWO).

Weygand said he did not know whether the French Government could persuade the Germans that Requin would be satisfactory.

General Weygand, you know, follows American policy as closely as he can. He is, of course, exceedingly interested in the future of our relations with the German Government and what effect any change of those relations might have on Franco-American relations. I am convinced that he has long since made up his mind that the American card is the one to play. During the course of our last conversation he inquired again whether there might be a possibility of the United States assuming the role of a belligerent in the war with Germany. I replied that I had no further news on this subject other than the President's public statements, but that I often wondered whether relations between the United States and Germany might be broken off.

COLE.

a234401

HTM

PSF Safe-France

CK
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (Br)

(Paris)
Bordeaux

Dated June ¹⁵~~16~~, 1940

Rec'd 2:48 a.m.

Secretary of State

Washington

TRIPLE PRIORITY

3, June ¹⁵~~16~~, 5 p.m.

I feel that I should make it entirely clear that the French Government is now faced with only two alternatives namely to sue for peace which would of course have to be unconditional or to move to North Africa and continue the fight. The decision as to which to take will depend on the nature of your reply and the encouragement or lack thereof contained in it.

If the former is chosen it is probable that your mediation will be asked with a view to reducing the harshness of the German terms -- the probable severity of which I believe is too dimly realized even by the Government. Those that advocate surrender stress the very real likelihood of uprising of an enraged people against the masters, both political and industrial, who have so criminally betrayed and deceived them: the innocent will suffer with guilty and much blood will flow.

They

a23901

-2-#3, June 16, 5 p.m. from (Paris) Bordeaux.

They also point to German vengeance which will be wreaked on France for continuance of the struggle from Africa and loss of the uncaptured fleet. They question the morale of a French evacuated army in Africa whose families are left to Nazi rule.

Those who urge removal of the Government to North Africa foresee that only thus can a free and independent France survive; that only thus can the symbol of a living France be maintained; that only thus can the French fleet be kept afloat for the democracies.

The decision will be taken tomorrow morning.

BIDDLE

EMB

a23g02

PM
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

Algiers

Dated August 24, 1941.

Rec'd 4:45 p.m.

Secretary of State,
Washington.

428.

August 24, 10 a.m. (SECTION THREE).

I asked the General if by chance that would
happen whether in his personal and unofficial opinion
Admiral Darlan would seize that opportunity or have the
authority to effect the rupture of relations between
the French Governemtn and mine. He pondered the
question for a long moment, then replied that "Admiral
Darlan has evolved a great deal lately in respect of
the United States." He would not say more. I hope to
refer again to the question.

Repeated to Vichy.

(END OF MESSAGE).

COLE.

WWC

0239901

CK
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (Br)

(Paris)
Bordeaux

Dated June 16, 1940

Rec'd 5:00 a.m.

Secretary of State

Washington

TRIPLE PRIORITY

4, June 16, 1 a.m.

~~STRICTLY CONFIDENTIAL~~ FOR PRESIDENT AND THE
SECRETARY.

The cabinet unanimously decided to ask for the
terms of an armistice. They have asked the British in
view of the agreement between the two Allies for their
concurrence in this move. They expect to have the
British answer tomorrow and this has just been confirmed
to me by my British colleague.

Reynaud to whom I delivered your message at 7 and
whom I saw again at midnight explained that only by such
a move could he show the French people who have ^{been} kept
in utter ignorance of the real gravity of the military
situation the severity of German terms and justify a
flight of the Government "to Africa or England". ("I
only hope they won't be too moderate" he said).

I feel, and the British, I find concur, that the
dangers of this move and the shock to the morale of both
the

23601

-2-#4, June 16, 1 a.m. from (Paris) Bordeaux.

the army and the people will far outweigh the political advantages. I believe furthermore that differences within the Government as to future policy may well endanger such plans as they may have for removal elsewhere. While Mandel and Campinchi favor continuance of the fight Petain and Weygand (who incredible as it may seem appear to feel that a real "negotiated" peace is possible) urge surrender.

(END OF SECTION ONE)

BIDDLE

EMB

a23h02

A

COPY

part 2

THE PRESIDENT.

FSF (Safe)
H. M. C.
From: 20/12/50

PRIME MINISTER

St. Pierre Miquelon.

1. On December 16th we had a telegram from the Foreign Office in which, after setting out the prospects of successful action in the Islands, they say:

"We are therefore informing the Free French Headquarters that we see no objection to their undertaking this operation."

In the same telegram they asked me to be sure that this action did not embarrass the United States Government and to give time for this said that they were asking de Gaulle to postpone the issue of orders for 36 hours.

2. The matter was put to the State Department the same day who referred it to the President, who said that he was strongly opposed to the suggested action.

3. On the 17th December, the Foreign Office telegraphed to say that the President's view had been reported to de Gaulle who agreed that the proposed action should not now be undertaken.

4. A telegram from the Foreign Office on December 19th said that in the view of the Chiefs of Staff nothing short of the occupation of the Islands "would be satisfactory from Military point of view. This course however now seems to be ruled out by United States attitude."

5. We received this morning a message despatched from the Admiralty to the British Admiralty Delegation, Washington, as follows:-

"Following has been received from
Admiral Muselier. BEGINS:

"I have the honour to inform you that in compliance with order quite recently received from General de Gaulle and request of inhabitants I have proceeded this morning to Island Saint Pierre and rallied people to Free France and Allied cause with enthusiastic reception. ENDS.

"2. Please inform His Majesty's Ambassador urgently. This action has come as a complete surprise to us."

6. From this it appears quite clear:
(a) that the Foreign Office knew and approved the general authority given to the Free French headquarters

to try their luck with the Islands, but that

(b) they held up the operation while the United States Government were being consulted, and that

(c) on receipt of information about the President's feeling they secured de Gaulle's agreement that the operation should not now be undertaken; and that finally

(d) Muselier has gone off on his own with or without de Gaulle's knowledge and assent.

7. An alternative plan to ensure control of the wireless station at St. Pierre has been under discussion between the Canadian and the United States Governments for some weeks. On December 18th Mr. Welles said that he hoped the Canadian Government would give immediate effect to this plan, which involved the use ^{or} force if the Administrator of the islands did not agree to Canadian supervision of the station.

Our Chiefs of Staff in London commented on this as set out in paragraph 4 above.

8. Since dictating the above I have just seen F.O. telegram 7243 (Flag "A"), which tells the complete story, and seems to place the blame very squarely on de Gaulle, who I see has issued a congratulatory telegram in London

to Admiral Muselier and announced that a plebiscite is being held to-day.

9. I attach a note (Flag "B") giving all the information in possession of the F.O. on the agreement between the United States Government and Admiral Robert.

10. I am seeing Hull at six o'clock, and will let you know if anything of importance emerges.

As our information was complete on both points you raised I did not think it necessary to telephone to the F.O.

H.

25th December, 1941

a23hh04

CK
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (Br)

(Paris)
Bordeaux

Dated June 16, 1940

Rec'd 5:40 a.m.

Secretary of State

Washington

TRIPLE PRIORITY

4, June 16, 1 a.m. (SECTION TWO)

I have emphasized throughout my conversations with all the members of the Government with whom I have talked the vital importance of maintaining the freedom of the French fleet. I am relieved to say that tonight I learn that Reynaud obtained, after a real battle in which he threatened to resign, the approval of his Government not repeat not to surrender the fleet at any cost. Of this he, Mandel and Campinchi all assured me tonight.

I of course impressed upon them that to this end the maintenance of a free and untrammelled Government was essential; that without continuance of such a Government the American people might find their continuance of the material aid being rendered the Allies a contribution to democracy which was justified neither by ideal nor utility. This I said was clearly and pointedly brought out in your message of this afternoon.

(END OF MESSAGE)

EMB

BIDDLE

a23:01

C O P Y

No: 7243

Dec. 25,
1941.

FROM: MR. EDEN.

TO: VISCOUNT HALIFAX.

MOST IMMEDIATE

Addressed to Washington telegram No. 7243 of December 25th, repeated to Ottawa No. 2256.

My telegram No. 7008.

Admiralty received a telegram from Admiral Muselier dated December 24th in which he stated that "in compliance with the order quite recently received from General de Gaulle and the request of the inhabitants" he had proceeded on the morning of December 24th to St. Pierre and rallied the people to Free France and the Allied Cause with an enthusiastic reception.

2. This was a complete surprise to us since General de Gaulle had authorized an assurance to be given to us on December 17th that no orders for the operation had been issued and that it would not be carried out by the Free French Naval forces. You were informed accordingly in my telegram under reference.

3. Free French Commissioner for Foreign Affairs was at once summoned to the Foreign Office and asked for an explanation. He admitted General de Gaulle had in fact

7243 (contd.)

given orders for the operation to be effected. His reason for doing so had been that when he gave the assurance mentioned in the second paragraph above he did not know the Canadian Government intended with the approval of the United States Government to send certain personnel to St. Pierre in order to secure control of the wireless station by peaceful means and if this failed by force. On learning this General de Gaulle had addressed a letter to the Foreign Secretary in which he protested against such a decision being taken without consultation with him and had declared the National Committee would lose its reasons for Existence if it agreed to forceful action being taken by the Allied forces on French Territory. General de Gaulle had asked that his views should be brought to the notice of the Canadian Government. This was done by telegram on December 24th. Free French Delegation in the United States had been already instructed to inform the State Department. A summary of this letter went to you in my telegram No. 7216.

4. It was pointed out to Mons. Dejean that General de Gaulle in his letter had not withdrawn his

assurance of December 17th which His Majesty's Government had conveyed to Washington and Ottawa. H.M. Government were now placed in an embarrassing position and they would have to inform the Canadian and United States Government that General de Gaulle had without consulting them decided to cancel the assurance which he had given in a matter affecting American Defence Zone. Mons. Dejean admitted that this was correct.

Please inform the United States Government of above and also the Prime Minister.

a23ii03

PSF Life - France

Over

CK

GRAY

(Paris)
Bordeaux

Dated June 16, 1940

Rec'd 5:05 a.m.

Secretary of State

Washington

RUSH

5, June 16, 2 a.m.

While I do not wish to appear alarmist I am convinced that the Department should immediately take under consideration the probable need for emergency evacuation from France to a nearby neutral port of Americans still remaining in this area. The problem may well (*) itself within a few hours or days and our warships now at Lisbon appear to offer the only feasible solution. It is of course a likelihood as I have pointed out of an early uprising and ensuing conditions of near chaos which compels me to urge you to give immediate consideration to this question.

I shall telegraph an estimate of the approximate number of Americans now in the Bordeaux and Biarritz regions and suggested evacuation points.

BIDDLE

EMB

(*) apparent omission

a23j01

United States Government made an agreement with Admiral Robert in August 1940 under which Robert gave assurances about French warships, etc., in return for United States Government assurances about finance and essential supplies for Martinique and Guadeloupe.

This agreement was renewed on December 15th, 1941, but we have never been shown the text. So far as we have been informed, the agreement was not concerned with St. Pierre and Miquelon.

a23jj01

PSF Lape- France

many

This telegram must be
closely paraphrased be-
fore being communicated
to anyone (br)

Bordeaux

Dated June 16, 1940

Rec'd 3:43 p.m.

Secretary of State

Washington

TRIPLE PRIORITY

6, June 16, 4 p.m.

My telegrams Nos. 3, June 15, 5 p.m. and 4, June 6,
1 a.m.

Differences of opinion continue within the Government.
No decision was taken as to course of action at this
morning's cabinet meeting pending receipt of the British
reply which is expected to be delivered this afternoon.
A further Council of Ministers is scheduled to begin at
5 this evening.

BIDDLE

WWM

923K01

BF Lefe: France

DEPARTMENT OF STATE
WASHINGTON

January 8, 1942

My dear Mr. President:

After giving careful consideration to all of the circumstances in connection with the St. Pierre Miquelon situation and with a view to arriving at an acceptable solution I have drafted the enclosed suggested telegram to Admiral Leahy setting forth a formula for the settlement of the matter. My suggestion would be that before sending this telegram in the event you approve it the telegram be submitted to the British and Canadian Governments for their concurrence.

Without specifically stating so this would amount to a trusteeship. It seems to me advisable to steer away from any specific statement implying a trusteeship, or an administration by the three Governments for the reason that we are likely to run counter to provisions in the Habana Convention which as you know provides for the administration of regions of this hemisphere under certain circumstances by the American Republics. I do
not

The President

The White House.

a23KK01

not think that we should give the other Republics occasion to feel that we are circumventing the Convention through the establishment by the United States, Great Britain and Canada of an administration of the Islands.

On the question of bringing about the removal of DeGaulle's forces from the Islands I am sure that you have in mind our commitments to Vichy and Admiral Robert on which they have been and are now counting and to which they have referred. In your message of December 13 to Marshal Petain which Admiral Leahy transmitted textually to Marshal Petain you stated that

"You may rest assured that the Government of the United States under present circumstances and in view of the instructions which you have issued to Admiral Robert will continue to give full recognition to the agreement reached by our two governments involving the maintenance of the status quo of the French possessions in the Western Hemisphere."

Moreover in the letter which you handed to Mr. Mathews for transmission to Marshal Petain you stated

"I again repeat that as long as French sovereign control remains in reality purely French, subject solely to the limitations of the Armistice Agreement, the Government of the United States has no desire to see existing French sovereignty over French North Africa or over any of French colonies pass to the control of any other nation."

Admiral Robert has already referred in connection
with

a23KK02

with the St. Pierre Miquelon incident to your communication of December 13 and has stated that he regards this Government "as obligated to obtain the reestablishment of French sovereignty over St. Pierre Miquelon".

We have already discussed the application of the Habana Convention to this situation and I do not need to go into that here. I am confident, however, that the American Republics are watching the matter and will not be loathe to view our action with circumspection.

If the proposed telegram meets with your approval I shall at once take it up with the British and Canadian Governments.

Faithfully yours,

Cordell Hull

a23KK03

PSF = Safe-Chance

REP

1940

GRAY

BORDEAU

Dated June 16

Rec'd 1:10 a.m. June 17

Secretary of State

Washington

TRIPLE PRIORITY

11, June 16, midnight

Pétain and a peace cabinet have succeeded Reynaud.

(END OF SECTION ONE)

BIDDLE

REP

a23201

NOT TO BE RECORDED OR CONFIRMED IN THIS COUPON HAS BEEN DETACHED BY THE TELEGRAPH OPERATOR

PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Collect { Full rate
Day letter
Night letter

Charge Department:

Full rate
Day letter
Night letter

Charge to

\$

Department of State

Washington,

January 8, 1942

AMERICAN EMBASSY

VICHY (FRANCE).

FOR THE AMBASSADOR

Your 15, January 5, 7 p.m.

In consultation with the British and Canadian Governments we have given very careful study and consideration to the situation created by the occupation of St. Pierre-Miquelon, which was accomplished without the consent or knowledge of any of these three Governments. With a view to reaching a solution satisfactory to the governments concerned, and with the concurrence of the British and Canadian Governments, we have worked out the following formula:

QUOTE Suggested arrangement with regard to St. Pierre-Miquelon:

1. The islands are French and will remain French.
2. To avoid any potential threat to the shipping of the Governments concerned, the use of the wireless stations on the islands will be subject to supervision

Enciphered by _____

Sent by operator _____ M., _____, 19____, _____

a232201

NOT TO BE RECORDED OR CONFIRMED IN THIS COUPON HAS BEEN DETACHED BY THE TELEGRAPH OFFICE

PREPARING OFFICE
WILL INDICATE WHETHER

Collect { Full rate
Day letter
Night letter

Charge Department:

Full rate
Day letter
Night letter

Charge to

\$

TELEGRAM SENT

Department of State

Washington,

-2-

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

and control by observers appointed by the American and Canadian Governments and attached to their respective consulates.

3. The islands shall be neutralized and demilitarized and shall be considered out of the war.

4. The present Administrator shall be withdrawn for the period of the war; the appointment of an Administrator shall be withheld for the same period, and the administration of the islands shall be left in the hands of the Consultative Council.

5. All armed forces will be withdrawn.

6. The Canadian and American Governments agree and undertake to continue economic assistance to the inhabitants of the islands and the respective consuls of those countries will confer with the local authorities as to the nature of the assistance to be given.

UNQUOTE

This formula is in conformity with the commitments given by this Government.

We fully realize the concern and anxiety of the French Government in maintaining the integrity of its colonial

Enciphered by _____

Sent by operator _____ M., _____, 19____, _____

a23LL02

PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Collect { Full rate
Day letter
Night letter

Charge Department:

Full rate
Day letter
Night letter

Charge to

Department of State

-3-

Washington,

\$ possessions. We feel that the formula submitted, with its guarantee that the islands shall remain French, and with the undertaking to continue economic assistance to St. Pierre and Miquelon, will fully safeguard the French Government's concern about these islands during the war.

You should see Marshall Petain at the earliest possible moment and impress upon him the importance of reaching a solution along these lines which maintains the purely French tradition of these islands for the future. You may, in your discretion, point out that time is of the essence, since the longer the matter remains in its present status the more likely it is to become crystallized and the more difficult it will be to bring about a satisfactory solution.

We have shown this telegram to the Canadian and British Governments and it has their full concurrence.

Until we receive an expression of opinion from the French Government regarding this formula, the matter will not be discussed with Admiral Robert or the French Ambassador.

S:CH: PA/D Le Eu

Enciphered by _____

Sent by operator _____ M., _____, 19____, _____

a232203

LM

NOT TO BE RECORDED OR CONFIRMED UNLESS COUPON HAS BEEN DETACHED BY THE TELEGRAPH OPERATOR

HSM
This telegram must be
closely paraphrased
before being communi-
cated to anyone. (Br.)

(Paris)
Bordeaux

Dated June 16, 1940

Rec'd 10 a. m.

Secretary of State,
Washington.

TRIPLE PRIORITY

11, June 16, midnight (SECTION TWO)

The latter sent for me at eleven tonight. He was calm and entirely himself again--a man relieved of an enormous weight but for the future of France. "I have remained faithful to my word" he said, and loyal to my policy of closest collaboration with Great Britain and the United States. I shall always remain convinced that such is the only policy. The majority felt the sacrifices France is being called to make are too great to continue. I have resigned and the President has appointed Marshal Petain in my place. I am profoundly grateful for what your President has done and I hope you will express my gratitude."

Petaim will of course immediately seek an armistice by direct approach, Reynaud thinks to the enemy lines.

His collaborators are Vice President Chautemps (if he accepts); National Defense Weygand; War Colson: Foreign

Affairs,

a23m01

hsm -2- No. 11, June 16, midnight (Section 2) from Bordeaux
Affairs Baudoin; Justice, Laval; Interior, Marquet (Mayor
of Bordeaux); Labor, Paul Faure (leader of the pacifist wing
of the Socialist Party); Finance Boutill; Public Works,
Frossard. The rest said Reynaud are "of no importance".
The Ministry of Information (so called) has been abolished.

While it now belongs to history Reynaud referred in
glowing terms to Churchill "reply" this afternoon. It was
far-reaching in scope: it meant in reality a fusion of the
two great empires. It might he said have marked the beginning
of a United States of Europe. The chance has now been lost.
(END MESSAGE)

BIDOLE

CSB

a23m02

Safe - France

Jan 11, 1942

VICHY AFRICA SAID TO PIN HOPES ON US

Free French Believe 'Token
Force' Could Win North and
West Colonies to Allies

GROUND HELD PREPARED

Our Mission at Brazzaville
Cited—Officers Say Move
Would Hasten War's End

By A. C. SEDGWICK

Wireless to THE NEW YORK TIMES.

BEIRUT, Lebanon, Jan. 9 (Delayed)—The course that French North Africa and French West Africa will take at the crucial moment of decision, believed here soon to arrive, will not be determined either by Britain or the Free French—that is, if bloodshed and the ensuing complications are to be avoided—but by the United States alone, it is said here.

This is the opinion of a number of high ranking French officers who profess familiarity with the conditions of thought at present prevailing in the French African possessions, particularly among the army chiefs there. It is held certain that an American token force that need not exceed two battalions, acting, so to speak, as ambassadors could win over the vitally needed African territory by hardly more than their mere presence.

The lesson was learned in the Syrian campaign, it is stated, from which the Allies should profit. Bitterness was and still is fairly characteristic of the attitude of many Frenchmen toward the British and more particularly toward the de Gaullist elements while no feelings except those of friendliness exist to any appreciable extent toward the United States.

The bonds of former friendship between France and the New World power are unimpaired by historical or present jealousies which fact, it is said, makes France psychologically prepared to accede to American demands.

It is also pointed out that Vichy would be able to offer an excuse for non-resistance on the grounds that it was impossible to take on a third enemy and that Germany would have no other course than to be satisfied.

The need for what is described as "polite aggressiveness and tactful firmness" is held urgent. It is believed that advantage could be taken of the now well-advanced preparations of Free French Equatorial Africa which, for several months, have been largely under the supervision of an American mission at Brazzaville.

Clearing up Africa, it is argued, is perhaps the swiftest means of bringing the war to an end. Without danger of possible attack from that quarter the Eighth Army, supplemented by the Ninth, would effectively hinder any new scheme that Reichsfuehrer Hitler might entertain for spreading his power to the Mediterranean, Suez and the Middle East and thereby deprive him of Caucasian oil and the almost equally needed stocks of wool, cotton, mohair and leather.

That Herr Hitler is planning some new aggression in this part of the world appears to be indicated by reliable reports of new air commands being established in Bulgaria as well as in Southern Italy. Recently there has been a large increase of supplies sent to Greece and Bulgaria.

12. *Laf - Tran*
PSF

Published in
Foreign Relations of the United States
France
Vol. 11, Pages 455-456.

HSM

October 24,
CLS.

This telegram must be
closely paraphrased
before being communi-
cated to anyone. (Br.)

Dated June 17, 1940

Rec'd 10:36 a. m.

Secretary of State,
Washington.

REGRADED
UNCLASSIFIED

TRIPLE PRIORITY

12, June 17, 2 a. m.

My telegram No. 11, June 16, midnight.

~~STRICTLY CONFIDENTIAL~~. Baudoin sent for me at mid-
night to inform me that one hour before in the name of the
Petain Government he had requested the Spanish Government
to ask the German Government on what terms it would grant
an armistice. The communication to the Spanish Ambassador
which he later read to me urged that the request be trans-
mitted at the earliest possible moment and that the bombing
of French cities might cease immediately.

In his expose of the reasons compelling his Government
to take this grave step he said that the French army "is
completely smashed"; that slaughter of further thousands
must be stopped; that the fight was hopeless. If the terms
of surrender received however are "unworthy of the honor or
dignity of France" they will be made public and their

unacceptability

a23n01

hsm -2- No. 12, June 17, 2 a. m., from Bordeaux

unacceptability made manifest to the French people. This would give them courage to continue the "moral struggle"; the military battle was over. As to the fleet he assured me formally that it would never be surrendered to Germany: as guarantee Admiral Darlan whose views he said are well known on this subject had been named Minister of Marine. (His appointment to the post is I feel largely for the purpose of reassuring the British and ourselves. The Admiral's new government associates hardly inspire complete (*) that the French fleet will remain a bulwark against Nazi aggression.)

He concluded with repeated assurances of the cardinal policy and ardent desire of the new Government to continue the closest collaboration with the British and ourselves. "Nothing" he said in conclusion, "has changed"--a viewpoint with which many of the sons of France will take serious issue; they will agree with Reynaud's remark to me "The new Government will dare nothing".

BIDDLE

CSB

a23n02

Port

*PSF
Safe
France*

DRAFT OF COMMUNIQUE WHICH WOULD BE ACCEPTED
BY GENERAL DE GAULLE.

1. The islands are French and will remain French.
2. The present Administrator shall be withdrawn; the Administration of the islands shall be exercised by the Consultative Council.
3. The above-mentioned Council will agree to the appointment of Canadian and United States' officials to assist them in the operation of the wireless stations on the islands in the common interest of the Allies.
4. The Free French National Committee inform His Majesty's Government in the United Kingdom that they never intended that ships of the Free French Naval forces should remain in the islands, and that these ships will shortly resume their normal duties of attacking the enemy wherever they may find him.
5. The Canadian and American Government agree and undertake to continue economic assistance to the inhabitants of the islands, and the respective Consuls of those countries will confer with the local authorities as to the

nature of the assistance to be given. Arrangements are being made both to continue the supplies from the United States and Canada on which the islands are dependent, and to provide the seasonal supply of fish to the French inhabitants of Martinique.

14. 1. 42

a23nn02

General de Gaulle would agree to the draft Communique on the understanding (which would not be mentioned in the Communique) that all parties agree:-

1. That the Free French Administrator will remain but will be merged in the Consultative Council.
2. That the Marines remain. (This is return to the pre-Armistice status quo; the islands must have some defence against the enemy.)
3. The Council will be under the orders of the National Committee.

14. 1. 42

a23nn03

AS

This telegram must be closely paraphrased before being communicated to anyone. (C)

(Paris)
Vichy

Dated November 12, 1940

Rec'd 9 a.m., 13th

Secretary of State,
Washington.

939, November 12, 4 p.m. (SECTION ONE).

The informant mentioned in my telegram No. 649, September 27, 2 p.m. called yesterday to tell me the true story of the de Brinon interview (my telegram 902, November 6, 4 p.m.) and German efforts to pin responsibility for France's entry into the war on the United States. Achenbach of the German Embassy at Paris has for some time been working on Daladier's private secretary Mademoiselle Mollet, along the line that Daladier was really, from the German point of view, a man of the best intentions; that the Germans did not hold him responsible for the war; that he was merely duped or misled by the United States and especially by Ambassador Bullitt. When sufficiently indoctrinated she was sent with the connivance of Laval to see Daladier at Chazeron to endeavor to persuade him to base his defense on and issue a statement as to false assurances of support

023001

AS-2- No.939, Nov. 12, 4 p.m. (SECTION ONE), fr. Vichy.

support from the United States. Apparently Mademoiselle Mollet was motivated solely by a misguided desire to see her chief released from prison and had received intimations that such a statement would mean the end of the Riom trial as far as he was concerned. She was entirely unsuccessful in her efforts much to the relief of my informant and Daladier's attorney. During this period neither of the latter were permitted to leave the occupied territory to see the former Prime Minister. (I learn from Reynaud's daughter that Mademoiselle Mollet was also sent in vain to try to extract some compromising statement from Reynaud).

MATTHEWS

TFV

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DEPARTMENT OF STATE
WASHINGTON

July 29, 1942.

MEMORANDUM FOR THE PRESIDENT

Let me call your attention to the attached telegram No. 1099, of July 28, 5 p.m., from our Chargé d'Affaires in Vichy, Mr. Tuck. This telegram refers to the telegram from Bern which reported, among other things, that Darlan was inclined to favor giving some French submarines to Germany to be operated by the German naval forces.

In accordance with your suggestion, a telegram was sent to Tuck last night asking if he would endeavor to ascertain from friendly sources in Vichy Darlan's attitude toward turning over French submarines to the Germans. The attached telegram is, of course, not a reply to our telegram of last night, but is a voluntary report from Tuck of his comment on the Bern telegram.

Enclosure:

Telegram No. 1099, of
July 28, 5 p.m., from
Vichy.

a230001

24

JR
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (C)

(Paris)
Vichy

Dated November 12, 1940

Rec'd 6:34 p.m.

Secretary of State,
Washington.

939, November 12, 4 p.m. (SECTION TWO).

When this game failed, the Germans through Achenbach told Daladier's lawyer that they must go through the papers which he had for the defense of his client; they would wait several days until Mademoiselle Mollet's return but he must promise in the interim not to touch them. This he finally agreed to do; the search revealed nothing satisfactory from the German point of view. It was then, said my informant, that they decided on the De Brinon interview frankly stating that they wanted to break something to influence our elections. From an American here who talked to De Brinon, I learn that the latter merely received a telephone call stating that he would receive the visit of an American newspaper correspondent and that he should give him an interview in the sense he did. Why the Germans happened to pick the I.N.S. correspondent at Paris for this particular propaganda job I do not know. This whole effort to influence the elections

has

a23p01

-2- #939, November 12, 4 p.m. (SECTION TWO) from(Paris)
Vichy.

has been so clumsily handled and so apparent that it constitutes just one more example of German psychological stupidity. It is however of some interest as showing the importance which they attached to the defeat of the President. Laval's own action, obviously at German instigation, in the sense of a peace offensive (my telegram No. 911, November 7, 6 p.m.) and the obvious German hopes however unfounded that the President's defeat would make this more possible would seem to constitute further straws in the wind that they are not too happy at the prospect of a long war and our active material cooperation with the British--regardless of how often they say that our help will arrive too late to be effective. (END OF MESSAGE)

MATTHEWS

NK

a23p02

MJF

This telegram must be closely paraphrased before being communicated to anyone. (SC)

(Paris)
Vichy

Dated July 28, 1942

Rec'd 5:47 p.m.

Secretary of State,
Washington.

1099, July 28, 5 p.m.

Bern's 3431, July 25, 11 a.m.

We have endeavored thus far without success to obtain confirmation of the visit of a German Naval Commission to Toulon on July 14. Both the military and Naval Attaches have been given categorical denials of this information by reliable official contacts. While it is always possible (since presumably it would have been undertaken with greatest secrecy) that such a visit may have occurred unknown to our informants, it does not seem likely that it could have been carried out without the knowledge of some of our reliable sources of information. The statement attributed to the informant mentioned in Bern's telegram that "France now has 106 submarines" does not coincide with our best information which indicates that the French have only about half this number. We shall continue, however, to follow this closely.

In so far as Darlan is concerned, a member of his staff states that while he is still as anti-British as

EVER,

a23pp01

-2- #1099, July 28, 5 p.m. from (Paris) Vichy

EVER, he is nevertheless smarting from the fact that the Germans aided Laval in ousting him and that his vindictive nature has aroused in him an intense anti-German reaction. We are told by reliable officials, who classify him as a "mental eunuch", that he is still as ambitious as EVER and that while he therefore might not be averse to playing the German game if convinced that the Nazis are winning, he is content for the present not to be mixed up in the political jockeying now occurring. He is reported in fact to be deriving considerable pleasure from Laval's present difficulties.

While I have not seen him personally for some time if the reaction of his subordinates is correct, it would appear that he does not wish for the moment at least to have trouble with United States or to be considered anti-American. A possible straw in the wind is the fact that when I sent him a translation of the Navy Department's communique on the Midway battle, he replied with a most cordial note in which he "rendered the homage which is due to the tenacity and the brilliant courage of the American aviators".

Repeated to Bern.

TUCK

LMS

a23pp02

Safe-France
PSF

May 14, 1941.

MEMORANDUM FOR

THE SECRETARY OF STATE
THE UNDER SECRETARY OF STATE

In view of the unsatisfactory response from Marshal Petain and General Huntziger to my message, what would you think of something along the following line:

For Leahy - Please deliver the following message from the President to Marshal Petain in person if possible:

"The President has, as the Marshal well knows, an old and deep affection for him and understands the extreme pressure which is being exercised on the Marshal and his Government by the Germans.

The President feels, however, that insofar as the future of the world and the writing of history is concerned, the time is now at hand for decisions which should not be open to future misconstruction.

France is today operating under the terms of an Armistice and this Armistice agreed, in effect, that the French Colonial Empire would not be violated by the Germans.

This presupposed that it would be defended by Frenchmen in that Colonial Empire against all forms of attack from the outside.

This was in actual fact carried out at Dakar and elsewhere against attempted use of a portion of the Colonial Empire by British armed forces.

It is, in the judgment of the President, equally an matter of honor for Frenchmen to defend that Colonial Empire against any other form of attempted use or occupation by any other nation, including the German.

a23g01

The President is thinking in terms not only of the present but of future history and he hopes that the Marshal can give him clear-out assurance that the Marshal and the Government of France has ordered the Colonial Governments in Africa, in Asia Minor and in the Far East to show no discrimination toward the Germans by acquiescence in the use of French territory by the Germans.

The President feels that this would hearten the world, and that as a life-long friend of France and the French people he is entitled to an answer from his old friend the Marshal".

In presenting this to the Marshal, Leahy can say that the assurance from the Marshal that he will not "give any voluntary, active military aid to Germany" means absolutely nothing at all; and that it is no different from giving active military aid on the theory that there is a mental reservation as to the underlying motive. Whatever the underlying motive, the aid goes forward.

F. D. R.

a23g02

~~SECRET~~

271730

16-24-66

Carl L. Spicer 27 November 1942

MAP BLACK NUMBER ONE

For Ensign Berry:

Following message from Admiral Stark to Secretary of the Navy should be shown to the President. Admiral Leahy asks that he be advised as to the President's wishes. Message follows:

"Reference Admiral Leahy message 252035 General DeGaulle informed me personally of his plan to visit Washington after my 241656 was sent. General has requested that arrangements be made for travel for himself and four associates to permit arrival Washington before December 10th. Ambassador Winant informs me DeGaulle's visit will be on his own initiative and not by invitation of the President. Despatches from French Delegation Washington indicated that President and Assistant Secretary of State Welles expressed desire or willingness to see DeGaulle of sufficient warmth to constitute invitation. Winant has requested censorship on any announcement of an invitation. DeGaulle will be accompanied by colonel Lombard, former French military attache Washington, by two aides, and by a military leader possibly General Catroux.

Arrangements can be made for passage in fast transport about December 1st. Alternative would be departure by clipper via southern route about same date. This would indicate arrival US about 6th December. Is this satisfactory? General DeGaulle in visit to me yesterday



DEPARTMENT OF STATE
WASHINGTON

June 17, 1941

~~Strictly confidential~~

My dear General Watson:

The American Ambassador at Vichy has received from a trusted friend and former assistant of M. Paul Reynaud, ex-Premier of France, copies of letters which M. Reynaud recently addressed to Marshal Petain from his prison at Vals.

M. Reynaud has requested that copies of these letters be handed to the President and translations of them are enclosed. In view of the reprisals that may be taken against M. Reynaud's person should it be known that he had caused these letters to leave France, his emissary earnestly requests that they be accorded the most confidential treatment.

Sincerely yours,

Enclosures:
Copies of letters
in translation as
stated above.

Major General Edwin M. Watson,
Secretary to the President,
The White House.

DECLASSIFIED
State Dept. Letter, 4-11-72

By J. Schauble Date FEB

972

a23r01

WAR DEPARTMENT
THE CHIEF OF STAFF
WASHINGTON

1st Lt. Francis G. ...
file
Confidential
Look Box

October 15, 1943.

MEMORANDUM FOR THE PRESIDENT:

Attached are the papers on equipment for French divisions which are returned for your file. I will keep in close touch with this situation.

[Signature]
Chief of Staff.



a23rr01

U. S. GOVERNMENT PRINTING OFFICE 1-1052

The White House.

Major General E. M. Watson

ADDRESSED TO

Letter drafted 6/11/41

TO

ENCLOSURE

Eu

BUREAU
DIVISION

Department of State

a23s01

THE WHITE HOUSE

WASHINGTON

October 13, 1943.

MEMORANDUM FOR

GENERAL MARSHALL

When I saw Bedle Smith the other day I raised the question of sending further equipment to fit out the new French Divisions. Just as a matter of interest, I dictated the enclosed to the Prime Minister on September seventh last but did not send it.

I think a showdown will come soon but it is a matter which, in a sense, relates a good deal more to Eisenhower than to Bob Murphy.

I hope you will keep in close touch with the situation.

Please return enclosures for my files.

E. D. R.

a23ss01

[TRANSLATION]

CONFIDENTIAL COMMUNICATION

Vals, April 5, 1941.

Mr. Marshal,

It was already known that you imprisoned me for having refused, last June, to capitulate and conclude an armistice which I deemed incompatible with French honor and interest.

But that will not fail to cause surprise, is that after imprisoning me, seven months later you caused me to be assailed by all the national broadcasting stations, in connection with a polemic with General de Gaulle.

I should not even have thought that I ought to protest if this campaign, which, they say, you are going to give the support of your voice, were not based, in the part concerning me, on a series of allegations contrary to truth.

Here are a few examples.

1. It is inexact that it is the British Government which asked that we prosecute the war in North Africa. You know better than anyone, because you attended the meetings which were held every morning in my office, that this decision had been made by me. It flowed from the engagement contracted by the Allies of not abandoning each other, an engagement of which you knew when you entered my Government and which I have no knowledge of your having ever asked me to denounce.

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2. It is inexact that Mr. Charles Reibel was an "eye witness" of anything whatever. He profited from culpable and, for the most part, capricious indiscretions.

3. It is inexact that General Weygand wrote to me, on May 29 and June 7, "more and more pressing letters" asking me to conclude an armistice.

He wrote to me, on the contrary, June 10, that he was "far from having lost all hope", and he stated, June 11, in the evening, at the Supreme Council at Briare at which you were present: "We are in the last quarter hour; there is no saying that we cannot win out in this last quarter hour."

Such a flagrant untruth on such an important point of the history of the war is grievous for the reputation of our country.

It is all the more inexplicable because I had written to you, on September 6, 1940, to point out to you that the national broadcasting [stations] had spread it for the first time. They drew the conclusion therefrom, at the time, that "if one had listened to Weygand, Italy would not have entered the war", which is false, since she declared war on June 10, and denotes, moreover, let it be said en passant, a singular lack of knowledge of the psychology of the Italian leaders. They would not have refrained from sharing in the spoils because we had asked for an armistice from Germany.

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4. It is inexact that "the armistice spared French families the hence forth vain sacrifice of their children."

As soon as the [military] command declared that the fight had become purposeless, I proposed to stop it on the soil of metropolitan France, as it had been in the Netherlands, which would have spared us the losses suffered during the long periods which were necessary for the obtaining of the armistice. This would have been the case if I had not been obliged to yield the power, succumbing to the coalition composed of yourself, General Weygand, and the majority of the ministers to whom high military authorities stated: "In three weeks England will have her neck wrung like a chicken."

It is not, therefore, the government of which I was the head nor any of its members which can be accused of having thought that "French blood had not flowed enough".

That is a method of discussion unworthy even of a public meeting.

5. It is inexact to say that the armistice terms "would have been less onerous" if it had been asked for sooner.

When, on June 12 at Cange, General Weygand asked to conclude an armistice, our armies had succumbed in the home country. Germany showed, and shows every day, that she intends to obtain the maximum results from her victory within the framework and without the framework of the armistice.

6. It is inexact that at the Supreme Council which was held June 11 (and not the 13), at Briare (and not at Tours), Mr. Winston Churchill refused any further assistance of the English air force.

He promised, on the contrary, to study the question as soon as he returned to London.

It is not less inexact that "for weeks, our soldiers had waited in vain for the English pursuit planes", for we received, at my daily instances, important assistance from the R.A.F. In the light of what has happened since, no one can reproach the prime minister for not having engaged in the battle of France the whole of an air force upon which, today, our chance of victory rests.

As for the relation of words exchanged at that Supreme Council, it constitutes a lack of diplomatic correctness. Not long since, France had deportment.

7. It is inexact that President Roosevelt replied "rather evasively" to the message that I had sent to him on June 14.

That is a failure to recognize the importance of his reply and the generosity that inspired it.

In his telegram of June 15, which I read to the Council of Ministers, the President of the United States reminded me that, in response to my appeal, the American Government had, in the course of past weeks, supplied us with airplanes, guns (75's) and munitions of all kinds. He gave me, furthermore

the

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the assurance that "as long as France continued the struggle, she could count on receiving war matériel and supplies in constantly increasing quantities."

That was to say that America would have been for us - as she has become for England - a non-belligerent ally.

Far from being "rather evasive", this message was, on the contrary, singularly courageous if we bear in mind the date when it was sent.

The judgment passed on it by the national broadcasting [system] is therefore unfair and can bring joy only to the enemies of France.

8. It is inexact that the offer of Franco-British union which was made to us, June 16, 1940, would have "reduced us to the rank of a dominion."

That offer contemplated the principle of a union which I was minded to accept, subject to discussing the modalities of it later. As for me, I prefer to collaborate with my allies rather than with the enemy.

9. It is inexact that the text of this agreement was "telephoned to me from London by General de Gaulle, at Mr. Churchill's dictation."

If it were true, moreover, who would be affronted thereby? General de Gaulle, a member of my government, had been sent by me on a mission to the British Prime Minister. As a matter of fact, General de Gaulle telephoned the text to me and Mr. Winston Churchill telephoned me afterward

to

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to ask me my sentiment. What is there out of the way in all that?

But here is what is more perfidious: "A striking detail, at the other end of the wire, there was, as if by chance, at the side of the French Premier, one General Spears, the chairman of the Franco-British Committee."

Perfidious, in the first place, to me, who appeared as having been wanting in the dignity of my office. I pass that

But the attack on General Spears, who is one of the oldest and most faithful friends of France in the House of Commons and whom it is, at least, strange to treat as a suspect, is as unjustified as it is improper. He was regularly accredited to me, Minister of War, by Mr. Churchill, and he was calling on me that day, in company with his ambassador. His position was therefore, as always, perfectly correct.

I take the liberty of thinking that these old wives' tales^a are unworthy of a great country.

Nothing is more to be scorned and more contrary to the national interest than these insinuations and these constant attacks upon the leaders of a people whose heroism will assure our salvation.

We know only too well who can rejoice at them.

• • •

All

Fr. romans chez la portière - Tr.

All these inexactitudes, however regrettable and damaging they may be, are a small thing beside the affirmation that General de Gaulle had contributed no more than the late General Estienne with respect to the use of tanks. For there we touch upon the essential cause of our defeat. And there, again, I am on trial on the first count.

Do you believe that the people of France will never know that our high military authorities declared that a continuous front, extending from the North Sea to Switzerland, is invulnerable and that the enemy could only cause breaches in it that would be the more dangerous for him the deeper they were?

Do you believe that they will never know that General de Gaulle declared to the contrary, that an armored corps, the composition of which he defined, would be an instrument suited for breaking, at a point, that continuous front?

Do you believe that they will never know:

1. That on March 31, 1935, five years before the German offensive of May 1940, I introduced in the Chamber a counterplan establishing that armored corps?

2. That I announced that the German army would pass through Holland and Belgium, would shove the Belgian army aside on the Albert Canal, and would attack our northern frontier, which the Higher War Council was refusing to fortify?

3. That we would be invaded by a German army composed

posed of armored divisions supported by combat airplanes if we did not have available an armored corps which alone could enable us to make a victorious counter offensive?

Do you believe that they will never know that my counter plan was rejected, in France, as "contrary to logic and history", but was adopted in Germany?

Do you believe that they will never know that for years, through lectures, books, addresses, newspaper articles, I incessantly called for the adoption of my counter plan?

Do you believe that they will never know that it was the German armored corps that broke out front on the Meuse, in May, 1940, then won the Battle of France and forced the French army out of its positions, preventing it, by its speed, from ever establishing other positions anywhere?

You know, better than any one else, because of the high authority that you exercised on the Higher War Council, of which you were a member, why my counter plan miscarried.

You know better than anyone else to what extent my counter plan was fought, since you offered to the public, just before the war, a book of your opinions, in which it could read, among so many other statements: "As to the tanks that were to bring us back to short wars, their failure is striking."

• • •

To be sure, this is not the time to be starting this debate, when the enemy is in occupation of two-thirds of our

our territory.

But, while awaiting the truth, silence is better than lying, and modesty than provocation. That is what the instructors on the radio and in the newspapers should not forget.

The danger from the lies, the incessant calumnies and petty defamations that have been prevalent for eight months is that the truth is like a gas which explodes with the greater force the more it has been compressed.

I warn you solemnly, the reaction to this will be violent.

It will be dreadful for the country.

I tell you this because I know you to be capable of "dominating" the acclaim of official trips.

Not belonging to any political party, I have always spoken freely.

Seven years ago, I asked an administration of which you formed part to line up the franc with the pound sterling and the dollar, which had been devalued, warning it that that was the only way to avoid social and political disturbances dangerous to our safety.

For years I tried to open the eyes of the high military authorities and the Ministers who were their advocates before the Parliament to the deadly peril that threatened our country.

They

a23t09

They refused to listen to me.

France has paid [for this].

I ask nothing of you for myself.

We collaborated closely when I was in power and, if I refused to associate myself with your policy, I did everything to make your task easier when you succeeded me. I did so for the sake of the country. No one owes me any gratitude for it.

Your attitude towards me has been different.

You put me in prison, in close confinement, seven months ago.

In your name, the weekly publications of defamation were then told: "You see that man, behind bars. You can, if you wish, spit in his face as you pass by".

They did this boldly for months, with the approval of your censors. They even told lies in attempting to reach me. That does not matter in France nowadays.

You had a Keeper of the Seals who told the world, by an official statement, that he is "known by all Frenchmen". On the testimony of a slander sheet, and as if my whole life did not protest against this crack-brained insinuation, he declared that I had undeniably enriched myself dishonestly, since I had brought 50 million to an aircraft company. Now, I made that contribution, in my capacity as Minister of Finance, to a nationalized company! This would merely cause a smile if, strengthened by this
certainty

certainly, that successor of Aguesseau had not attempted to justify, after the event, my internment and to discredit the man of resistance by the lowest of political maneuvers, by getting you to sign a law just for the purpose of taking away the jurisdiction of a judge who refused to prosecute me and for that of bringing before the Court of Riom such an absurd accusation that it refused to legalize my internment. The last signs of his lack of balance are the things he is saying about you - which scandalize the Midi - who had for a moment drawn him from nothingness.

I do not have such a conception of public life.

I have never thought of having those of my collaborators put in prison who, like you, did not share my opinion on the armistice. Instead of attempting to dishonor them, when I had the opportunity in the past (perhaps you will learn this, some day) of preserving the name of a certain one of them from any injury, I did so without his knowing it.

• • •

Keep me in prison, if you see fit.

Our persons count for little.

It will be the [greatest] honor of my life to have suffered for having held the word of France very high and for not having been willing to diminish the chances of victory of the coalition of which she formed part.

But

a23t11

But listen to the counsel of a Frenchman whom it would have been to his country's interest to listen to oftener.

Order that this people no longer be told that the word of France does not count, that it should have been broken, towards Poland, on September 3, 1939, that it should have been broken, towards England, on June 16, 1940.

Having lost "everything but honor", what would be left to our people if honor were taken away from it?

Order that our youth no longer be given the ideal of collaborating with an enemy who is annexing Alsace and Lorraine in contempt of the armistice and whose banners are floating over Paris, for we cannot straighten our backs and bend them at the same time.

Order that the stoic people, our ally, on whom our salvation depends, no longer be defamed.

There can be no greater peril for a nation than to see its soul degraded.

Return to what is, surely, at the bottom of your heart as a Frenchman.

Please accept, etc.

PAUL REYNAUD.

THE WHITE HOUSE
WASHINGTON

September 7, 1943.

MEMORANDUM FOR

W.S.C.

Please read and speak to me about this. I have very distinct feelings that we should not send further equipment or munitions to the French Army in North Africa if our prima donna is to seize control of it from the old gentleman.

F.D.R.

a 23+01

[TRANSLATION]

Confidential communication.

Vals, April 23, 1941.

Marshal:

I regret having to write to you again.

I hope that this letter will be the last one.

The national broadcasts declare (they have just repeated it) that we are responsible for the war, into which England plunged us with the aid of the Jews and the Freemasons. You know, as do all Frenchmen, that that is a historic lie. Those who disseminate it in your name doubtless believe that they are serving the country. History will relate, I believe, that this campaign conducted prior to the treaty of peace constitutes a crime against our native land. But that does not concern me any more than other Frenchmen.

What do concern me are the calumnies which the radio continues to broadcast about me. They tend to cause me to believe that my letter of April 5th was not handed to you, the receipt of which, in violation of an old French tradition, has not been acknowledged to me.

Of these new calumnies, I will speak of only one.

With regard to the request for an armistice made on June 12th, at the first cabinet meeting at Cange [Cangey?] by General Weygand, after a pathetic picture
of

a23u01

of the sufferings of our army, the radio brought yesterday the following statement:

"Reynaud, a docile tool in the hands of Churchill, thought that it was not useless to sacrifice thousands of French lives in order to allow the English to re-embark and to destroy their matériel."

In form, that is Fardonnnet. Let us pass over that.

In substance, that is one of the gravest accusations that can be directed against the former head of a French government.

You know that it is false.

You know that, far from being willing to sacrifice French lives uselessly while awaiting for the long periods (a week, in fact) required for the conclusion of an armistice, I proposed, on the contrary, a surrender similar to that of the Dutch army and the continuation of the combat beside our allies, at sea and in our Empire.

You know that, on the first point, I had convinced you, since at the cabinet meeting held on June 15th at Bordeaux you left the council chamber, at my request, to go to General Weygand and try to convince him, and that you failed, which would have led me to relieve him of his command if, at that same meeting, the cabinet had not declared itself for the principle of the armistice.

You know, from having been present at the meetings of the Supreme Council held in France, that, far from
having

923402

having been "a docile tool in the hands of Mr. Churchill", I was, on the contrary, a loyal but exacting ally.

You know, for you were there, how, at the Supreme Council meeting held at Paris on May 31, 1940, I got the English to embark from then on, at Dunkirk, a larger proportion of French soldiers, "the English troops remaining in the rear guard as much as possible".

You know the telegram, the text of which was recently given by the French radio, that I sent to Mr. Winston Churchill on May 24th, when the English army abandoned its movement toward the South, in the direction of the Somme, for reasons to which History alone will be able to apply an impartial judgment. It would have been more fitting, besides, to give Mr. Churchill's reply also.

You know, for you were there, that at the meeting of the Supreme Council held at Briare on June 11th and 12th, I spoke to our allies with a rough frankness, since the radio recently had the impropriety, moreover, to reproduce one of the speeches which I made there.

You know that Mr. Churchill having asked of me on June 12th that the French Government could not make any decision without having heard him, the Cabinet asked me to request him to come the next day. Foreseeing the danger of a break between France and England in case the request for an armistice supported by you and General Weygand should
gain

a23u03

gain a majority in the Cabinet and should lead to my resignation, I called to mind the saying of the Duc d'Aumale: "France was left." I presented to Mr. Churchill, Lord Halifax and Lord Beaverbrook, who had come to Tours, such a picture of the sufferings of France and the services rendered to the coalition by her that Mr. Churchill, with tears in his eyes, gave me his promise that if France asked for an armistice some day and if England were victorious, France would be restored "in her power and her dignity." This promise was repeated by him several times after that. After that interview, I again went to combat the armistice with all my strength at the second meeting of the Cabinet, held at Cangey[?]. It was not due to me that France was the only one of the eight countries at war against Germany that capitulated, although she had the second navy in Europe and the second colonial empire in the world.

In acting thus, did I show myself "a docile tool in the hands of Churchill?" The truth is that, contrary to the repeated affirmations of the radio, Mr. Winston Churchill did not have to ask me not to conclude an armistice, because he knew that I was against it and that, as long as I should be head of the French government, it would not be asked for.

You

a23404

You know that, a few days after my resignation, I telegraphed to him, in my own name, to ask him not to continue a public polemic against you which could only delight the enemy.

You know all that, and yet the despicable work of which I have spoken is being carried on under cover of your name.

If I am writing to you about this, it is because I believe this work detrimental to the country.

But if you were informed of this you would think also, as I do, that to have your predecessor calumniated publicly is not in keeping with French traditions.

I simply wish to say, in closing, that when I was at the head of the government, the national broadcasting system was employed for other purposes than daily inciting Frenchmen to hate each other.

Please accept

PAUL REYNAUD

Tr:JWP:H3F

a23u05

~~SECRET~~
~~SECRET~~

The following is a telegram from Mr. Murphy in Algiers to the State Department, dated September 3, 1943.

De Gaulle has raised the issue regarding the control by the Committee over military affairs, following recognition by the Allied Governments and the ensuing clarification of the Committee's position. He has sent to Giraud a very confidential memorandum asking the latter to approve a more clearly defined control of the Committee over the CINC and military activities and the limitation of military power to operations against the enemy and armed force organization. Continuing, the memorandum states that the powers exercised by the CINC in accordance with French law establishing a "state of siege" should be turned over to the responsible civil administrators and that the Committee should control all secret services, amalgamated under one direction.

It is requested that the existence of the memorandum in question not be divulged as it was reported to me in the greatest secrecy.

Further along this line, the possibility of having only one President of the Committee, which in this case would be De Gaulle, and the appointment of a defense commissioner has been suggested. With respect to military authority, the divergence is being further emphasized by the insistence of Giraud that alone, he has the authority to speak for the army, and that in his personal capacity the rearmament furnished by the United States of America was given to him.

The authority to designate civilian administrators in territories of metropolitan France as they are liberated and the question of the organization and control of resistance movements have been brought to the fore in the discussions of the Committee. The extreme elements of the Gaullist faction have, it seems clear, decided that the time has come

~~SECRET~~
~~SECRET~~
- 1 -

a23uud01

~~SECRET~~
~~SECRET~~

to make a further effort to lessen Giraud's power as the CINC as well as to strengthen De Gaulle's own control over even the civilian moderate elements of the Committee. The discussions which have taken place in the last few days in the Committee meetings have led to no solution as yet, it is understood.

Whatever solution is reached, the moderate element of the Committee insist, the decision will preserve collective responsibility of all members which is the basis of its recognition by the Allied Governments.

The fear is beginning to be expressed as discussions of this nature continue, that unless the Committee is able to rid themselves of the personal differences and devote more attention to the prosecution of the war the French people when liberated will have lost respect for the Committee, and the Committee itself will lose the possibility of speaking for them when the time comes. However, it is likely, the principal attention here will be centered on these political matters until the French Army is able to participate more actively in the prosecution of the war.

a23uu02

~~SECRET~~
~~SECRET~~

THE UNDER SECRETARY OF STATE
WASHINGTON

August 1. 1941

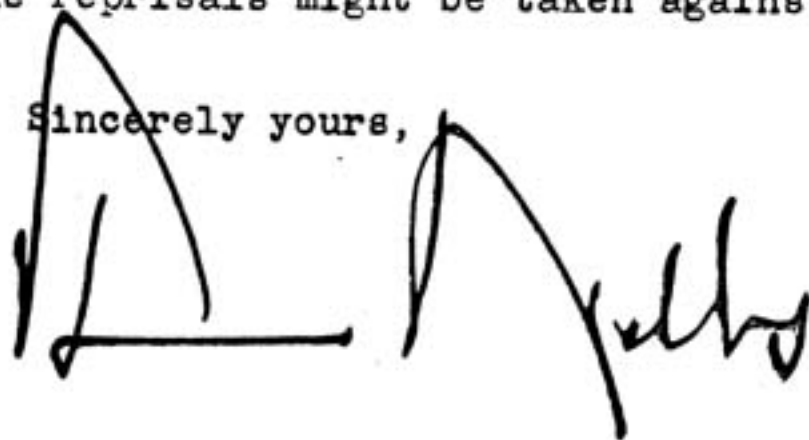
~~STRICTLY CONFIDENTIAL~~

My dear General Watson:

With reference to my letter of June 17, 1941,
I enclose a copy in translation of a further communi-
cation addressed to Marshal Petain by Monsieur Reynaud
from his prison at Vals.

Upon delivering copies of this letter to the
Embassy Monsieur Reynaud's emissary again earnestly
requested that the most confidential treatment be
accorded these letters since were it known that
Monsieur Reynaud had caused these copies to leave
France, serious reprisals might be taken against
him.

Sincerely yours,



Enclosure:

Copy of letter in
translation, as
stated above.

Major General Edwin M. Watson,
Secretary to the President,
The White House.

DECLASSIFIED
State Dept. Letter, 1-11-72
By J. Schauble Date FEB 8 1972

a23v01

[TRANSLATION]

Confidential
communication.

Enclosure No. 1 to Despatch No. 232
of June 19, 1941 from the Embassy at
Vichy.

Vals, May 18, 1941.

Mr. Marshal:

A year ago I assumed the responsibility of asking
you to enter my government.

When I resigned my office I assumed the responsi-
bility of advising the President of the Republic to
designate you as my successor.

If it were true that after having concluded an
armistice with the enemy, in violation of your pledged
word, you were preparing now to reverse our foreign
policy without consulting the people of France, which
has constantly approved it, without any citizen having
the right to express an opinion, as if they were a
nation of helots;

If it were true that your policy has the effect of
striking in the back our ally who, left alone in the com-
bat, is fighting heroically in Egypt, in Ethiopia, in
Irak, on the Mediterranean, over England, on the Atlantic,
750,000 of whose sons fell in the last war while defend-
ing the soil of France, and only whose victory can give
us back our lost independence;

If

a23w01

If it were true that it [your policy] is breaking the precious friendship which, for a century and a half, joined France to the greatest people in the world, whose ideal is ours;

If it were true that it should have for its inevitable consequence the enslavement of France, thus isolated, to a people whose ideal and faith are violently opposed to ours, even though the war is not finished and even though, after a hundred days of trials, the final victory of the allies will appear in the distance;

If it were true that you contemplated making a Brest-Litovsk peace;

If that were true, I should not deny the responsibilities that I assumed, but I should beg the forgiveness of France for having done so.

Please accept, ...

PAUL REYNAUD

RS
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

*Safe: France
Lick*
(Paris)
Vichy

Dated August 1, 1941

Rec'd 4:30 p.m.

Secretary of State,
Washington.

970, August 1, 4 p.m., (SECTION ONE)

Department's telegram 612, July 31, noon.

I discussed this morning with Marshal Petain and Admiral Darlan together French policy in Indochina and set forth to them the views contained in the telegram under reference. Darlan was much annoyed. When he first told us of the Japanese plans with respect to Indochina (my telegram 888, July 16, 5 p.m.), he said, he had hoped we would act immediately but we did nothing. He had hoped that a squadron of our ships from Manila would steam into Saigon harbor and anchor. Such action he believed would have prevented further Japanese pressure and he would have been glad to have given authorization for such a visit of our ships had we so asked. He could not of course, he said, give us any such indication at that time. He further "resented bitterly" our present criticism of French policy when we ourselves have done nothing to restrain the Japanese even though it is to our interest. "It is always the

SAME

023x01

-2-, No. 970 from (Paris) Vichy, (SEC.1), August 1, 1941.

same story", he went on, "the United States is too late. When we asked for help last year, first in July and then at the time of the Thailand aggression, we got none. Without any direct evidence in support thereof it is my opinion that a decision had been made to admit Japan to French Indochina before Admiral Darlan on June 16 informed me of the demand.

LEAHY

JRL

a23x02

AF
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

(Paris)
Vichy

Dated August 1, 1941

Rec'd 6:45 a.m.; 2nd

Secretary of State,
Washington.

970, August 1, 4 p.m. (SECTION TWO)

When we tried to rearm to defend our Colony it was the British who stopped us. We were faced in the light of these Japanese demands with three possible solutions: One, to fight. We could not, because we are at the end of our resources and have no means of fighting after Syria. Secondly, merely to accept the Japanese demands. This I did not wish to do as it would have put us in the Axis. Third, to adopt the formula which we have of common defense of the Empire. The Japanese have for the past year treated us with perfect correctness and have now agreed to recognize our sovereignty over the Colony. This is in marked contrast to the British whose sole aim, as has been amply demonstrated in Equatorial Africa, in New Caledonia and in Syria, is to take parts of the French Empire. They talk about giving the Syrians liberty, but there are difficulties in their way and
already

023401

-2- 970, August 1, 4 p.m. (SECTION TWO) from Vichy.

already we hear reports of an impending revolt there against them. They do not recognize our sovereignty when they take our territory and as to Indochina, if they had gone there, they would not give it back."

LEAHY

ALC

a23402

AF
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

(Paris)
Vichy

Dated August 1, 1941

Rec'd 7:01 a.m.; 2nd

Secretary of State,
Washington.

970, August 1, 4 p.m. (SECTION THREE)

I pointed out to the Marshal, (who gave no indication of his feelings other than an occasional nod during Darlan's at times bitter denunciation of the British) the existence of the danger of an attack against the United States territory launched from Indochinese bases should the situation grow worse. He admitted that but said that France is helpless and that he himself "is not a free agent," occupied as the country is. To my inquiry as to whether he thought the Japanese would keep their promise to respect French sovereignty in Indochina, the Marshal replied, "We had to take a chance on that." Darlan added, "I do not know. But Churchill promised on June 12, 1940, and the Marshal heard him, that if we had to seek an armistice he would understand our position and his friendship toward France would undergo no change. The sequel of this was Mers-El-Kebir. At least

923201

-2- 970, August 1, 4 p.m. (SECTION THREE) from Vichy.

least there is a possibility of saving something for France in Indochina, whereas to fight, without outside help, would have meant the certain loss of the colony."

LEAHY

PEG

923202

SAFE FILE: Germany Sep.1939- Mar.1941

Pres.

lw

Belgrade

This telegram must be closely paraphrased before being communicated to anyone. (Br)

Dated September 6, 1939

Rec'd 8:05 p.m.

Secretary of State

Washington

255, September 6, 7 p.m.

~~STRICTLY CONFIDENTIAL~~

An official German source informs us as follows:

Had England and France not declared war it was contemplated that German operations would cease with the first phase. This phase was intended to take that part of Poland which Hitler demanded. With that declaration of war by England and France there will be no let up on Poland until all resistance has been crushed and the entire country subjected to German occupation.

Germany desires to have Italy and all Balkan countries neutral or inactive until Polish operations have been contemplated. No more fighting on several fronts at the same time as during the last war if it can be avoided, there will be a partition of Poland between Germany and Russia. Russia is to become an active military ally. Mussolini's actions thus far have been in complete accord with Hitler's desires. The war will be of very long duration and will result in ultimate

German

lw -2- No. 255, September 6, 7 p.m. from Belgrade

German victory. About two thirds of Rumania would be interesting territory for Germany. Russia's operations will keep Turkey and Rumania very much occupied. Russia and Japan will eventually arrive at a non-aggression pact.

The United States will enter the war in about three months.

I.A.NE

JRL
RR

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

September 7, 1939.

The Secretary of State encloses copies of the telegrams and despatches indicated below.

Since some of this material was transmitted in one of the Department's confidential codes, it would be appreciated if the enclosures could be returned to the Department as soon as convenient for appropriate disposition.

Enclosures:

Telegrams Nos. 1114, Berlin;
1115, Berlin;
- , Danzig (Sept. 6);
802, Shanghai;
463, Tokyo;
480, Tokyo.

CJ

This telegram must be closely paraphrased before being communicated to anyone. (A)

DANZIG

Dated September 6, 1939

Rec'd 6:30 a.m., 7th

Secretary of State,

Washington.

September 6, 4 p.m.

There began in Danzig at about 4:45 morning of September 1st, bombardment by German naval vessel SCHLESWIG HOLSTEIN of Polish munitions depot at Westerplatte at entrance to harbor and bombardment continued intermittently during the day. Depot was bombarded the following day by German airplanes but up to the present time Poles have not surrendered. Inhabitants of Neufahrwasser were evacuated early morning of second in anticipation of aerial bombardment and some houses there demolished by concussion. Sixth Polish contingent in Danzig was able to hold out until late afternoon September 1 but owing to sudden seizure of main railway station in Danzig Poles there were not in a position to put up resistance. Gdynia has not yet been taken nor has Hel Peninsula and fighting still continues just beyond Zoppot but on Polish territory. All Americans safe.

KUYKENDALL

DDM:CSB

SF: Germany

CJ

This telegram must be closely paraphrased before being communicated to anyone. (D)

BERLIN

Dated September 7, 1939

Rec'd 10:38 a.m.

Secretary of State,
Washington.

1114, September 7, 10 a.m.

~~STRICTLY CONFIDENTIAL~~. The Italian Ambassador here has given me the following account of the last moment efforts of Mussolini to avoid war: As a culmination of the Italian efforts towards a peaceful solution of the German-Polish controversy (see my 932, August 27, 3 p.m.) Mussolini on the evening of August 31st proposed a conference. France and England agreed to this step and the German Government declared that it was not averse thereto but requested twenty-four hours in which to consider. Hostilities commenced early on the following morning and Mussolini proceeded no further as the matter seemed hopeless. The French Government however expressed itself in favor of a continuation of the Mussolini plan and negotiations were renewed. It was at that moment however that England decided to demand the withdrawal of German troops from Polish soil, a demand which the Ambassador characterized as unprecedented and all further negotiations were futile.

It

24003

-2- #1114, September 7, 10 a.m., from Berlin

It was clear in the course of this exposition that the Ambassador was discussing these steps only from the point of view of negotiations and not as bearing upon their influence on the actual intent of Hitler. The general purpose of his remarks was to prove that the British Government had at the last deliberately sabotaged peace and that the Polish Government and especially the Polish Ambassador here in failing to further direct negotiations with Germany had placed themselves in the wrong, at least insofar as the record of the negotiations was concerned.

KIRK

PHD

100-1000

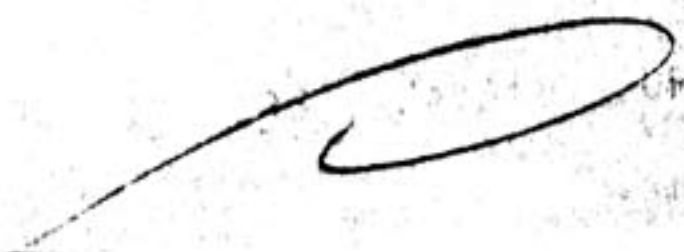
FROM ALUSMA MEXICO CITY
TO OPNAV

RESTRICTED MITE CABLE
16 OCT 59

0016 EMMY FRIEDERICH MOVED OUT INTO STREAM OPPOSITE DOCK
LATE THIS AFTERNOON FULLY FUELED AND PROVISIONED AND
APPARENTLY FULLY CONVERTED TO OIL BURNER READY IN ALL RESPECTS
FOR SEA. DO NOT EXPECT MEXICAN GOVERNMENT WILL ATTEMPT
TO HOLD HER ^{IF} SHE ATTEMPTS TO BREAK 18503R
TOR CODE ROOM 2240

DISTRIBUTION:

16 ACTION



024101

ASF
Safe: Germany

MACKAY RDO

RECEIVED ROUTINE
16 OCTOBER 1939

FROM : ALUSNA BERLIN
ACTION: OPNAV

1016 DAVE FIVE HUNDRED TON SUB WHICH SANK ROYAL OAK WITH TWO
TORPEDOES ALSO BADLY DAMAGED REPULSE WITH TWO. GERMANS ADMIT
NO RECENT LOSSES OF U-BOATS. TWO SUBS FROM 12-14 OCTOBER SANK
85,000 TONS ALLIED SHIPPING. BRITISH SS HERONSPOOL RECOVERED
WITH TWO GUNS BUT WAS SUNK 1530 ON

FOR CDR ROOM 1634

DISTRIBUTION:

1. [REDACTED] 1 ON. **HI** (+)

13. 38 (3) ... 10/11 ... 90A ... 11 ... 12 ... STATE ... PY ...

OPNAV DO

024502

JT

This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

BERLIN

Dated March 1, 1940

Rec'd 4:26 p.m.

Secretary of State,

Washington.

532, March 1, 5 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES

Had two and a half hours conversation with Ribbentrop
this morning. Twenty (repeat twenty). Hitler is receiving
me at eleven tomorrow, Saturday morning.

KIRK

CSB

JR

This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (SC)

Berlin

Dated March 2, 1940

Rec'd 2:55 p.m.

Secretary of State,

Washington.

533, March 2, 1 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES.

I was received this morning by the Chancellor and
had approximately an hour and three-quarters conversation
with him. 43 repeat 43. I am having conversations
tomorrow with Field Marshal Goering, Hess and Schacht. I
am planning to leave tomorrow night for Switzerland en route
to Paris.

KIRK

KLP

2246 01

JR

This telegram must be closely paraphrased before being communicated to anyone. (SC)

Berlin

Dated March 2, 1940

Rec'd 4:45 p.m.

Secretary of State,

Washington.

539, March 2, 2 p.m.

~~STRICTLY CONFIDENTIAL~~ FOR THE SECRETARY FROM WELLES.

In accordance with our agreement I am not telegraphing you any details of the conversations I have had with the Chancellor and other members of the German Government. I have spoken at some length with the Chancellor, with the Foreign Minister, and with the Under State Secretary concerning our views on international trade relations. I am gratified to report to you that I believe they take approximately the same position as taken by the chief of the Italian Government namely that while present conditions make it impossible for them to relinquish the autarchic system now in operation they nevertheless support the principles which we support as the desirable objectives to which the German Government should return if and when a sound and lasting peace is established. I am being received tomorrow by Field Marshal Goering and I shall leave with him the full text of the principles as finally approved by ourselves.

KIRK

224901

JI
This telegram must be
closely paraphrased be-
fore being communicated
to any one. (SC)

Berlin

Dated March 3, 1940

Rec'd 6:26 p.m.

Secretary of State

Washington

544, March 3, 7 p.m.

~~SECRET~~ FOR THE PRESIDENT FROM WELLES.

I spent three hours with Field Marshal
Goering today 49 (repeat 49). I also had a
briefer interview with Deputy of the Leader
Hess 5 (repeat 5).

KIRK

EKN

PGF - Germany

JR

This telegram must be closely paraphrased before being communicated to anyone. (D)

Rome

Dated March 13, 1940

Rec'd 11:55 a.m.

Secretary of State,

Washington.

178, March 13, 2 p.m.

FOR THE PRESIDENT FROM MYRON TAYLOR.

"5. March 12, midnight.

I had a long visit late tonight at the Vatican and under pledges of strictest confidence I was told the following details of Ribbentrop's interview with the Pope.

At the beginning of the audience he talked steadily for twenty minutes displaying the greatest assurance and asserted as indicated in my previous telegram that Germany could win the war within a year; that the entire German public were behind Hitler and that Germany finds no serious difficulty because of the blockade in respect to food and supplies; that it is getting adequate supplies from the east including Russia, Rumania and other countries; that Germany already on war rations could with added supplies from the outside ensure the well-being of its population on a reduced ration basis now largely in force, that Italy must stand with Germany because of its

extensive

-2- #178, March 13, 2 p.m., from Rome.

extensive and exposed frontiers and because its form of Government so closely resembles the German form that if one fell both would fall.

(END SECTION ONE)

PHILLIPS

RR

JR

This telegram must be closely paraphrased before being communicated to anyone. (D)

Rome

Dated March 13, 1940

Rec'd 1:50 p.m.

Secretary of State,

Washington.

178, March 13, 2 p.m. (SECTION TWO)

(The Vatican shares the view that if Hitlerism falls Mussolini will fall too unless Mussolini makes some compromise with the Allies to save himself which is considered by the Vatican authorities to be unlikely at the present time).

The Holy Father when he found an opportunity to reply to Ribbentrop referred to the condition of the Catholic Church in Germany and the condition of the Polish people. Ribbentrop urged upon the Pope that his Government had granted large sums of money and subsidies in Germany to the churches including the Catholic and that the churches are allowed to be open. He insisted that the church had no right to concern itself with politics, to which the Pope replied that the closing of the churches and schools and the persecution of priests was not a political but a church matter. Ribbentrop's sole allegation against the church was its participation in politics.

In regard to Poland the Pope again asked that an apostolic visitor be permitted to enter Poland for the purposes

-2- #178, March 13, 2 p.m. (SECTION TWO) from Rome.

purposes of investigation and report. Ribbentrop evaded this question by saying that he would look into the matter; that they had no definite plans in respect to religious questions but that he would give further study to the condition of church affairs in Germany.

(179 follows)

PHILLIPS

HPD

Safe : Germany
DEPARTMENT OF STATE *PSF*

THE SECRETARY

March 18, 1940.

MEMORANDUM FOR THE PRESIDENT

I herewith return cable from James D. Mooney. Also the complete memorandum relative to the equal employment question in Panama, which I think you will want to go over, in substance, with Mr. William Green.

CH

THE WHITE HOUSE
WASHINGTON

~~SECRET~~
March 13, 1940.

MEMORANDUM FOR
THE SECRETARY OF STATE

This is for your eyes
only. As it is in secret code
please read and return. I will
let you see the rest as soon as
it comes in.

F. D. R.

Thacker
EH

Sage: Germany
SAGE

**Write ACK, after address
requiring acknowledgment**

539 Bill 5200.9 (9/27/58)

Date- 2-4-71

Signature: *RHP*

I ARRIVED IN EUROPE VIA ROME ON 11 FEBRUARY AND IN ACCORDANCE WITH MY CONVERSATIONS WITH YOU DURING DECEMBER AND JANUARY AT WASHINGTON I HAVE ABSORBED MYSELF IN EXPLORING THE WAR AND PEACE SITUATION IN EUROPE PARTICULARLY IN RELATION TO THE POINTS OF INTEREST INDICATED TO ME FROM YOUR POINT OF VIEW DURING OUR CONVERSATIONS X I MADE A STATEMENT TO YOU JUST BEFORE XMAS AND IMMEDIATELY FOLLOWING MY RETURN FROM EXTENSIVE TRAVEL THROUGHOUT EUROPE PARTICULARLY THE Belligerent Countries GERMANY ENGLAND AND FRANCE DURING THE FIRST FOUR MONTHS TO THE EFFECT THAT OF THE COURSE OF CONTACTS I HAD HAD WITH EVERY CLASS OF THE PEOPLE FROM ARISTOCRACY TO LABORERS I HAD FOUND NO INDIVIDUAL FROM NOBLEMAN TO TEAMSTER WHO CONSIDERED THE WAR OTHER THAN A CATASTROPHE FOR EUROPE X AMONG THE COMMON PEOPLE IT WAS CONSIDERED A PRIME PIECE OF INSANITY AND THEY WERE APPALLED AT THE THOUGHT OF SACRIFICING THEMSELVES TO SUICIDE ON THE WESTERN FRONT X THEY WERE HORRIFIED AT THE PROSPECT OF

NAVAL MESSAGE (NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
Released by (Signature)			
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

(DO NOT WRITE IN THIS SPACE) Franklin D. Roosevelt Library

DECLASSIFIED

PAGE TWO

DDO 5200.9 (9/27/58)

TEXT

STARVATION ALREADY UNDERWAY IN EUROPE WHICH WILL INCREASE IN INTENSITY AS THE WAR CONTINUES X THIS SITUATION STILL TRUE X AMONG PEOPLE WHO HAVE TO BEAR BRUNT OF IT NO EMOTIONAL BACKGROUND FOR WAR EXISTS JUST AS IN UNITED STATES AMONG OUR OWN PEOPLE THERE IS NO UNDERCURRENT OF ANTI-WAR SENTIMENT AGAINST WAR AMONG PEOPLES OF EUROPE THAT ANY POLITICAL LEADER WHO DOES NOT RECOGNIZE THIS POWERFUL UNDERCURRENT IS LIKELY IN TIME TO FIND HIMSELF IN THE POSITION OF A FLAGPOLE SITTER X AS A MATTER OF FACT ANY POLITICAL LEADER IN ANY ONE OF THESE COUNTRIES WHO IS NOT NOW PLANNING HOW TO BRING ABOUT PEACE CONSISTENT WITH THE HONOR AND PRESTIGE OF HIS COUNTRY IS EVEN NOW A FLAGPOLE SITTER WHILE THIS LEADER WHICHEVER HIS COUNTRY IS MAKING BELLIGERENT SPEECHES CROWD IS SHOWING EVIDENCE NOT ONLY OF NOT LISTENING BUT OF ACTUALLY WALKING AWAY FROM FLAGPOLE X DISILLUSIONMENT OF FIRST WORLD WAR STILL DOMINATES FEELINGS OF EVERYONE IN EUROPE TIME SINCE WAR SO SHORT POIGNANT MEMORIES STILL FRESH FROM GRIEFS

NAVAL MESSAGE (NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
Released by (Signature)			
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

(DO NOT WRITE IN THIS SPACE)

PAGE THREE

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000 D.D. 5200.9 (9/27/58)

TEXT

INDUCED BY LOSS MILLIONS HUSBANDS OR SONS BY FOUR YEARS STARVATION
ECONOMY MISERY AND LONG YEARS PAINFUL RECONSTRUCTION SUFFERED DURING
POST WAR PERIOD THESE MEMORIES NATURALLY POWERFUL IN STIMULATING

EVERY MAN'S IMAGINATION IN EUROPE FOR CONSEQUENCES PRESENT AND X
IF WAR GETS UNDER WAY WITH REALLY AGGRESSIVE MILITARY ACTION ON
BOTH SIDES CONSEQUENCES OF PENDING WAR WILL BE FAR MORE DISASTROUS
THAN OTHER WAR FOR TWO REASONS FIRST TECHNIQUES OF SLAUGHTERING
KILLING GREAT MASSES OF PEOPLE MULTIPLIED DURING PAST TWENTY YEARS
IN HORROR EFFECTIVENESS SECOND EUROPE LEARNED WAR IN FOURTEEN WITH
SOME ECONOMIC PAIN ON ITS BONES BEGINS THIS WAR WITH SCARCELY

ECONOMIC SKIN ON ITS BONES IS POVERTY STRICKEN NOW AS YOU KNOW MR
PRESIDENT FROM ORDINARY ECONOMIC INDICES X THIS POVERTY HAS COME
UNDER MY OWN PERSONAL OBSERVATION SCORES OF TIMES IN THESE PAST
YEARS PARTICULARLY IN THE BELLIGERENT COUNTRIES WHERE I AM NECESS-
ARILY BROUGHT FACE TO FACE WITH STANDARDS OF LIVING AMONG WAGE
EARNERS AND SALARIED EMPLOYEES X ENGLAND AND FRANCE GERMANY ARE

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nication Watch Officer in person. (See
Art. 76 (4), Navy Regulations.)

NAVAL MESSAGE (NAVY DEPARTMENT)

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DOD **DDI** 5200.9 (9/27/58)

TEXT

BROKE AT BEGINNING OF WAR EVEN IF WAR WERE TO END RIGHT NOW EVERY ONE OF THESE THREE COUNTRIES IS CONFRONTED WITH HIGH SOCIAL PROBLEMS THAT ARISE OUT OF BAD ECONOMIC CONDITIONS EVERY ONE OF THESE COUNTRIES WILL CONFRONT SOME KIND OF SOCIAL AND ECONOMIC DIFFICULTIES THAT CONFRONTED YOU WHEN YOU TOOK OFFICE AS PRESIDENT FOR YOUR FIRST TERM THE PEOPLE OF EUROPE ARE PATHETICALLY EAGER TO SEE YOU MR PRESIDENT TAKE SOME KIND OF A HAND IN THE WHOLE SITUATION FOR TWO REASONS FIRST THEY HAVE A WARM CONFIDENCE IN YOU BECAUSE OF YOUR HUMANE QUALITIES AND COMPASSION FURTHER YOU HAVE SHOWN CONSTANTLY IN YOUR SPEECHES AND PUBLIC ATTITUDE THAT HOWEVER A SYSTEM OF GOVERNMENT IS CONSTRUCTED OR OPERATED IN ANY COUNTRY IT SHOULD HAVE AS ITS INSPIRATION THE FREEING OF MEN FROM THE HAUNTING FEARS OF OPPRESSION AND STARVATION X THE SECOND POINT IS A VERY PRACTICAL POINT THE POLITICAL LEADERS IN THE BELLIGERENT COUNTRIES ARE VERY CONSCIOUS OF THE POLITICAL ECONOMIC AND MILITARY POWER OF UNITED STATES THEREFORE ARE EXTREMELY EAGER TO AVOID OFFENDING YOU OR AMERICAN PUBLIC OPINION IN ANY WAY THEY WILL RESPECT

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DDO 5200.9 (9/27/58)

TEXT

WHAT YOU SAY OR ANY POSITION YOU TAKE BECAUSE YOU HAVE A LOT OF CHIPS ON THE TABLE OTHER NEUTRALS ARE NOT POWERFUL ENOUGH TO BE LISTENED TO VERY ATTENTIVELY X I HAVE HAD A RINGSIDE SEAT AT THIS EUROPEAN SHOW FOR PAST 22 YEARS BEGINNING WITH MY EXPERIENCE AS A DOUGHERTY IN THE REPUBLIC OF FRANCE CONTINUING ON THROUGH THE MANY POLITICAL AND ECONOMIC CRISES OF THE FOLLOWING YEARS X WHILE THERE HAS BEEN FIASCO OF BAD POLITICS AND DUMBELL ECONOMICS X FOKER PLAYING OF PAST 2 YEARS PARTICULARLY BETWEEN GERMANY ON ONE SIDE AND ENGLAND FRANCE ON OTHER CUMULATING IN HANGING ANOTHER WORLD WAR AROUND NECKS OF PEOPLE IN EUROPE PROVIDES AN IRONIC FUTILE AND TRAGIC LAST CHAPTER CERTAINLY YOUR TAKING A LIGHT HAND IN THE SITUATION IS INFINITELY JUSTIFIED YOUR COURAGE TACT AND EXPERIENCED UNDERSTANDING EUROPEAN PROBLEMS CERTAINLY COULD PRODUCE A BETTER RESULT THAN THIS X AFTER SPENDING A FEW DAYS IN ROME DISCUSSING SITUATION HERE WITH PEOPLE WHO BROUGHT ME REASONABLY UP TO DATE ON ITALIAN FRENCH AND BRITISH VIEW POINTS I MEAN NOT ONLY OFFICIAL VIEWPOINTS BUT ACTUAL FEELINGS OF THE PEOPLE IN THESE COUNTRIES I PROCEEDED TO GERMANY WHERE I HAVE SPENT PAST 3 AND ONE

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DDO 111 5200.9 (9/27/58)

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TEXT

HALF WEEKS X DURING MY VISIT TO GERMANY I RECHECKED THE OBSERVATIONS I HAD MADE TO YOU AFTER MY LAST SEVERAL MONTHS STAY THERE ENDING JUST BEFORE I LEFT FOR NEW YORK IN DECEMBER I HAD SEVERAL INTERESTING DISCUSSIONS OVER THE PEACE AND WAR PROBLEM WITH GOVERNMENT OFFICIALS INCLUDING CHANCELLOR BILTLER GOENNING VON RABENITZ AS WELL AS SEVERAL OTHER LEADING OFFICIALS OF GOVERNMENT X I PRESENTED TO THESE GENTLEMEN UNOFFICIALLY AND INFORMALLY CERTAIN OF YOUR ATTITUDES OF MIND ABOUT THE WHOLE WAR AND PEACE PROBLEM AND IN TURN RECEIVED FROM THEM FOR YOUR INFORMATION CERTAIN OF THEIR UNOFFICIAL INFORMAL ATTITUDES OF MIND TO BE PRESENTED TO YOU THESE PERSONAL MESSAGES I AM WORKING UP FROM MY NOTES NOW WILL CABLE THEM TO YOU IN SERIES DURING NEXT FEW DAYS X MEANWHILE I WISH TO INFORM YOU THAT GENERALLY ATTITUDE OF GERMAN GOVT AS EXPRESSED PARTICULARLY BY OFFICIALS I HAVE MENTIONED WAS ONE OF WAR X RESPONSE TO YOUR PERSONAL INFORMAL UNOFFICIAL INTEREST IN WHOLE PROBLEM THEY SEEM EAGER TO WORK WITH YOU TO RESOLVE PRESENT DIFFICULTIES IN DIRECTION MORE ORDERLY POLITICAL AND ECONOMIC WORLD SEEM EAGER ALSO TO DO WHATEVER CAN BE DONE TO IMPROVE RELATIONS BETWEEN

NAVAL MESSAGE (NAVY DEPARTMENT)

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TEXT

OUR TWO COUNTRIES X OUTLINE OF MY DISCUSSION WITH CHANCELLOR HITLER
REVOLVING AROUND POINTS YOU HAD EMPHASIZED IN YOUR DISCUSSIONS WITH
ME IN DEC AND JAN WILL BE FORWARDED IN A DAY OR SO JUST AS QUICKLY
AS I CAN GET IT PREPARED AND CODED YOURS RESPECTFULLY JAMES
D. MOSELEY

~~SECRET~~

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Date- 2-4-70

Signature- RHO

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 (NAVY DEPARTMENT)

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From <u>COMBUNEDAL</u>	ACTION	To <u>OPNAV</u>	Write ACK, after address, requiring acknowledgment
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Date <u>19 MARCH 40</u>	INFORMATION	To _____	Franklin D. Roosevelt Library <u>08016-5180</u> <u>100-100-5200.9 (9/27/58)</u>
ROUTINE to _____			
PRIORITY to _____			

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Date- 2-4-71

Signature- RHP

DEAR MR. PRESIDENT:-

TEXT

DURING THE PAST SEVERAL DAYS CABLES HAVE BEEN SENT TO YOU COVERING THE EXPLORATION WORK THAT I HAVE BEEN ABLE TO DO SO FAR IN THE WAR AND PEACE SITUATION IN EUROPE. IN THIS CONCLUDING MESSAGE OF THE SERIES I WOULD LIKE TO MAKE A FEW SUGGESTIONS TO YOU IN RELATION TO THE CURRENT PROBLEM. I HAVE BEEN THOROUGHLY OCCUPIED WITH THE PROBLEM PARTICULARLY DURING THE PAST SEVERAL MONTHS AND AM PRESENTING THE SUGGESTIONS WITH THE HOPE THAT THEY MIGHT BE SLIGHTLY HELPFUL IN DEVELOPING YOUR OWN VIEWS AND PLANS.

THE PEOPLES OF EUROPE ARE UNITED IN THE BELIEF THAT THE PRESENT WAR COULD HAVE BEEN AVERTED. THERE IS TODAY A DEEPER SELF INTEREST APPEAL FOR ALL THE BELLIGERENT PEOPLE IN MAKING PEACE THAN IN CONTINUING THE WAR. NOBODY CAN DOUBT THE WISH OF EVERY BELLIGERENT COUNTRY FOR THE ENDING OF THIS WAR. THE WORLD FACES MANY PROBLEMS TODAY JUST AS SERIOUS AS WAR AND FAR MORE WORTHY OF SACRIFICES. NONE OF THESE PROBLEMS IS GOING TO BE SOLVED BY THIS WAR. THERE ARE TIMES WHEN A MAN OR A NATION MUST FIGHT. THERE ARE THINGS WORTH MORE THAN

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TEXT

LIFE ITSELF. THE DEATH OF MARTYRS SOMETIMES ENABLES OTHERS TO LIVE ON IN A BETTER WORLD. NOBODY IN EUROPE SEEMS TO BELIEVE THAT A BETTER WORLD WILL COME OUT OF THIS WAR. IN OTHER WORDS THE WAR IN EUROPE TODAY IS NOT REGARDED AS MARTYRDOM BUT AS SUICIDE FOR WINNERS AND LOSERS ALIKE.

IS THERE A WAY OUT. THERE IS STILL IN EUROPE A UNIVERSAL HOPE THAT A WAY OUT MIGHT BE FOUND. THERE IS STILL A STRONG UNDERCURRENT OF FEELING THAT A PEACE SHOULD BE ATTEMPTED AT THE BEGINNING INSTEAD OF AT THE END OF THE WAR. LOVE-HEADED PEOPLE EVERYWHERE IN EUROPE ARE STILL Hoping THAT THERE MAY BE PEACE BEFORE MILLIONS OF LIVES HAVE BEEN LOST, BEFORE EUROPE HAS BEEN MADE A SHAMBLES, AND BEFORE BITTERNESS HAS BEEN PLANTED IN THE HEARTS OF MEN HERE FOR ANOTHER GENERATION. PEACE AT THE BEGINNING OF THE WAR MIGHT PROVIDE SOME HOPE FOR THE SOLUTION OF EUROPEAN PROBLEMS. EUROPE CAN ONLY COUNT ON THE PRESIDENT OF THE UNITED STATES TO TAKE AN EFFECTIVE HAND IN THE MEDIATION THAT IS NECESSARY IN THE PRESENT SITUATION. I KNOW

FROM MY RECENT EXTENDED CONTACTS BACK HOME IN DECEMBER AND JANUARY
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a24 K02

NAVAL MESSAGE (NAVY DEPARTMENT)

From

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ACTION

To

NOTIFICATION

To

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TEXT

THAT THE AMERICAN PEOPLE BELIEVE TOO THAT IT IS AN INSANE WAR AND
THAT THE UNITED STATES SHARES SOME RESPONSIBILITY FOR THE DEEP CAUSES
OF THE PRESENT WAR. IT SEEMS THEREFORE THAT THE AMERICAN PEOPLE
WOULD SUPPORT A DISCREET POSITION AS A MODERATOR ON THE PART OF THE

PRESIDENT. HOWEVER, I DO NOT WANT TO BE PRESUMPTUOUS AS TO EXTEND
THE DISCUSSION OF THIS PHASE OF THE PROBLEM. I SHOULD LIKE
ON THE OTHER HAND HOWEVER TO MAKE SOME SUGGESTIONS TO YOU FOR THE
PRACTICAL POINTS THAT WILL HAVE TO BE CONSIDERED IN BUILDING UP THE
APPROACH FOR A PEACE. I FEEL REASONABLY SURE OF MY GROUND IN MAKING
THESE SUGGESTIONS BECAUSE OF MY INTIMATE CONTACTS IN EUROPE WITH
THE PROBLEM OVER THE PAST SEVERAL YEARS AND PARTICULARLY DURING THE

PAST SIX MONTHS OF THE WAR. THE PROBLEM OF CALLING OFF THE WAR IS
ESSENTIALLY ONE OF PRACTICAL POLITICS. THE POLITICAL GROUPS IN THE
THREE BELLIGERENT COUNTRIES HAVE THROWN SO MANY DEAD CATS OVER THE
OTHER FELLOW'S GARDEN WALL DURING THE PAST TWO OR THREE YEARS AND
PARTICULARLY DURING THE LAST SIX MONTHS THAT IT IS NOW VERY DIFFI-

CULT FOR THEM TO HAVE ANY DISCUSSIONS WITH ONE ANOTHER.

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TEXT

THE SLIGHTEST IMPLICATION OF CRITICISM OF THE VARIOUS POLITICAL LEADERS PERSONALLY BECAUSE THE EVENTS OF THE PAST TWO OR THREE YEARS HAVE BEEN APPALLINGLY DIFFICULT.

THE NEXT IMPORTANT POINT IS NATIONAL PRESTIGE AND HONOR. A PRACTICAL APPROACH TO WARS MEDIATION WILL HAVE TO INCLUDE ELEMENTS TO RECONSTITUTE THESE LESS MATERIAL BUT VERY IMPORTANT FACTORS FOR BOTH SIDES.

THE THIRD AND LAST GENERAL POINT SO FAR AS THE POLITICAL LEADERS ARE CONCERNED IS SECURITY FOR THEIR OWN COUNTRIES AND PEOPLES, AS TO THE PEOPLES THEMSELVES ~~IN THE~~ IN THE BELLIGERENT COUNTRIES TWO THINGS ARE CLOSEST TO THEIR HEARTS, FIRST IMMUNITY FROM PHYSICAL DANGER IN OTHER WORDS A PEACEFUL LIFE, SECOND THE RIGHT TO EARN A LIVING.

I HAVE SENT YOU A COMPLETE OUTLINE OF THE DISCUSSIONS WITH CHANCELLOR HITLER AND FIELD MARSHAL GOERING ON THE SUBJECT OF WAR

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TEXT

AND PEACE AND IN PRESENTING THESE OUTLINES I HAVE TRIED CAREFULLY TO AVOID INTERPOLATING ANY OF MY OWN POINTS OF VIEW ABOUT GERMANY'S ATTITUDE INTO MY REPORT OF THEIR CONVERSATIONS. I CONSIDERED IT MOST IMPORTANT TO REPORT THE CONVERSATIONS TO YOU AS FAITHFULLY AS POSSIBLE AND TO GIVE YOU THE OPPORTUNITY TO MAKE YOUR OWN DEDUCTIONS FROM THEM. HOWEVER I SHOULD LIKE NOW TO PRESENT MY OWN SENSE OF THE GERMAN ATTITUDE BUILT UP FROM AN INTENSIVE EXPLOURATION OF THEIR STANDPOINT AND OUTLOOK. IN THE FIRST PLACE, MY OWN OPINION IS THAT GERMANY IS EAGER TO MAKE PEACE. I BELIEVE THAT THIS EAGERNESS IS NOT INDUCED BY ANY GREAT FEARS ON THE PART OF GERMANY THAT THEY CANNOT WITHSTAND ATTACK FROM ENGLAND AND FRANCE AND TAKE CARE OF THEMSELVES RATHER WELL. THEY DO NOT LIKE THE IDEA OF TAKING UP THE WAR AGGRESSIVELY BUT THEY ARE JUST AS GRIM AND DETERMINED ABOUT SEEING THE WAR THROUGH AS ENGLAND AND FRANCE. BOILED DOWN IN ESSENCE GERMANY IS WILLING TO MAKE SUCH CONCESSIONS FOR POLAND AND CZECHOSLOVAKIA AS WOULD PLEASE WORLD OPINION IN RELATION TO THE

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TEXT

RELIGIOUS, CULTURAL, AND POLITICAL AUTONOMY OF THESE NATIONS. ON THE OTHER HAND GERMANY SEEMS THOROUGHLY DETERMINED TO PREVENT RECURRENCE OF THE NOISANCE VALUE GENERATED BY ENGLAND AND FRANCE THROUGH THEIR MAKING POLITICAL AND MILITARY FACTS WITH COUNTRIES SUBMITTED TO GERMANY.

THEN ANOTHER THING THAT GERMANY SEEMS DETERMINED ABOUT IS THE RETURN OF THE FORMER GERMAN COLONIES, BUT IT SEEMS THAT THEY WOULD WANT THESE RETURNED PRIMARILY FOR THE RETAINING VALUE. AFTER THE COLONIES WERE TECHNICALLY TURNED BACK TO HER GERMANY WOULD BE WILLING TO GIVE WAY ON ACTUAL TAKING OVER SOME OF THESE TERRITORIES. THIS IS BECAUSE GERMANY REALIZES THAT CERTAIN POLITICAL EMBARRASSEMENTS WOULD ENSUE TO ENGLAND AND FRANCE IF THE COLONIES, AS DEFINED BY THEIR PRESENT BOUNDARIES, WERE ACTUALLY TAKEN OVER BY GERMANY. GERMANY MIGHT, FOR INSTANCE, BE WILLING TO TRADE THE WHOLE LOT OF HER FORMER COLONIES IN AFRICA FOR A NEW BLOCK OF TERRITORY IN CENTRAL TROPICAL AFRICA WHICH SHE COULD OPEN UP AND COLONIZE. IN OTHER WORDS SHE IS WILLING

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100 D.R. 5200.8 (8/27/68)

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TEXT

GERMANY GENERALLY THAT THE GERMANS ARE VERY TIRED OF BEING TREATED LIKE BAD SCHOOL BOYS. THEY ARE TIRED OF BEING TALKED DOWN TO AND OF BEING SCOLDED ALL THE TIME AS THOUGH THEY HAD A SPECIAL MONOPOLY AMONG THE NATIONS ON ALL THE FAILINGS OF HUMAN NATURE. DURING

THE RECENT VISIT WITH THE GOVERNMENT OFFICIALS IN GERMANY, THE FRIENDLY EXPRESSIONS THAT YOU HAD MADE TO AND GERMANY IN YOUR REMARKS TO BE HAD A TONIC EFFECT IN GIVING THE GERMAN PEOPLE THAT COULD HAVE CRISSEN CERTAINLY IN MY DISCUSSING WITH THEM FRANKLY AND BLUNTLY AS I HAD SOME OF THE ELEMENTS OF AMERICAN PUBLIC OPINION IN REACTION TO GERMANY'S PRESENT POLICIES IN CERTAIN MATTERS.

IN GENERAL WHAT THIS SITUATION IN EUROPE NEEDS AT THE PRESENT, MR. PRESIDENT, IS THE HEALING INFLUENCE OF SOME OF YOUR POWER AND FRIENDLY PATIENT TYPE OF DEALING. I AM NOT GOING TO DISCUSS WHAT THE FRENCH WANT OR THE ENGLISH WANT, BECAUSE YOU ARE JUST AS FAMILIAR WITH THIS AS I AM, EXCEPT I SHOULD LIKE TO TOUCH ONE OR TWO POINTS FROM THE STANDPOINT OF EITHER COUNTRY JUST AS A MEANS OF INTRODUCING A

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TEXT

FEW SUGGESTIONS FOR THE PRACTICAL APPROACH TO PEACE. THE FRENCH WANT SECURITY, FURTHER THEY WANT A RECONSTITUTION OF THEIR NATIONAL PRESTIGE AND HONOR WHICH THEY FEEL SUFFERED THROUGH THEIR NOT SAVING POLAND AND CZECHOSLOVAKIA.

THE MAGINOT LINE IS A GREAT PART OF THE ANSWER TO FRENCH SECURITY IN DISCUSSIONS FOR PEACE. FRANCE COULD CHAMPION THE RIGHTS OF POLAND AND CZECHOSLOVAKIA FOR CERTAIN NATIONAL RELIGIOUS POLITICAL AND CULTURAL AUTONOMY AS UNDOUBTEDLY FRANCE COULD NOT GET SUCH RIGHTS FROM THE GERMANS - IF SUCH RIGHTS DID NOT INTERFERE WITH GERMANY'S SECURITY ON HER EASTERN AND SOUTHEAST BORDERS. ENGLAND TOO WANTS SECURITY AND A RECONSTRUCTION OF HER NATIONAL PRESTIGE AND HONOR. LET US ADDRESS OURSELVES FOR THE MOMENT TO THE PROBLEM OF PRESTIGE AND HONOR FOR ENGLAND AND PARTICULARLY TO THE PROBLEM OF FACE SAVING. FOR THE POLITICAL GROUP IN ENGLAND UNDER WHOSE LEADERSHIP AND INHERITANCE OF PREVIOUS BAD POLITICS ENGLAND BECAME INVOLVED IN THE PRESENT SITUATION.

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TEXT

NOBODY COULD POSSIBLY TAKE EXCEPTION TO ENGLAND'S HAVING DECLARED WAR ON GERMANY AT THE TIME GERMANY DECLARED HER INTENTION OF INVADING POLAND. ENGLAND HAD SAID THAT SHE WOULD DECLARE WAR IF THIS INVASION TOOK PLACE AND SHE WAS BOUND TO KEEP HER WORD. THIS DOES NOT MEAN THAT THE PRESENT WAR IS NOT STILL ON. BECAUSE ALTHOUGH THE DECLARATION OF WAR BY ENGLAND WAS LOGICAL ON SEPTEMBER FIFTH THE PRECEDING CAUSES OVER A SERIES OF YEARS AND PARTICULARLY THE POKER PLAYING OF 1938 AND 1939 PROVIDED EVERY ILLOGICAL BASIS IN THE WHOLE SEQUENCE OF EVENTS. THE THING I WANT TO SUGGEST TO YOU, MR. PRESIDENT, IS THAT ENGLAND HAS FOUND HERSELF DURING THE PAST SIX MONTHS SINCE THE OUTBREAK OF WORLD WAR NUMBER TWO XXXXX IN THE POSITION OF A SCHOOLBOY OR YOUNG FELLOW WHO HAS GOT HIMSELF INTO A BAD FIGHT AGAINST A TOUGH ADVERSARY. AS IS THE WAY OF A SCHOOLBOY OR YOUNG FELLOW HE CARRIES A CHIP ON HIS SHOULDER AND PICKS UP CHALLENGES FOR A FIGHT QUITE LIGHTLY. AFTER THE FIGHT IS WELL UNDER WAY AND HE HAS BEEN ACCUMULATING A BLACK EYE HE IS INCLINED TO WONDER WHY HE HAD NOT BEEN A BIT MORE POLITE IN THE SITUATION. FINALLY,

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TEXT

IF THE FIGHT IS GOING BADLY OR THE OPPONENT SEEMS TO BE MUCH TOUGHER THAN HE HAD ANTICIPATED, HE IS QUITE HAPPY IF A POLICEMAN HAPPENS TO COME ALONG OR PERHAPS SOME OLDER MAN TO STOP THE FIGHT. HONOR IS STILL INTACT BECAUSE HE DID NOT FAIL TO ACCEPT THE CHALLENGE AND HE DID NOT CUNT. BUT ON THE OTHER HAND ALSO HIS NOSE IS STILL REASONABLY INTACT AND THIS IS COMFORTING. IN OTHER WORDS, HE RETIRES FROM THE FIGHT WITH HONOR AND NOT TOO BADLY BRUISED UP. THIS IS THE PERFECT SITUATION FOR A FELLOW WHO LIKES TO MAINTAIN HIS REPUTATION IN THE NEIGHBORHOOD FOR BEING A SCRAPPY FELLOW. STOPPING A FIGHT IS VERY OFTEN A MOST THANKLESS JOB AND THIS FIGHT IN EUROPE LOOKS PARTICULARLY DIFFICULT, BUT YOU ARE THE ONLY ONE WHO CAN STOP IT, MR. PRESIDENT. PERHAPS SOME WAY ~~EMKE~~ OR ANOTHER COULD BE FOUND WHEREBY YOU COULD PROJECT YOURSELF INTO THE SITUATION IN HARMONY WITH AMERICAN PUBLIC OPINION AND IN HARMONY WITH SAVING FACE FOR THE POLITICAL LEADERS IN THE BELLIGERENT COUNTRIES AND IN HARMONY WITH THEIR NATIONAL HONOR AND PRESTIGE. GOD KNOWS THE PEOPLES OF THESE BELLIGERENT COUNTRIES

WOULD BE VERY HAPPY FOR PEACE AND I AM QUITE SURE THIS INCLUDES THE
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TEXT

POLITICAL LEADERS THEMSELVES.

THE FINAL SUGGESTIONS I HAVE TO MAKE, MR. PRESIDENT, IS THAT INSTEAD OF STARTING IN BY TRYING TO SETTLE SOME OF THE HEATED AND IRRITATING ISSUES BETWEEN ENGLAND AND GERMANY, THAT YOU SET FORTH BEFORE THE BELLIGERENTS AN ATTRACTIVE FRAME WORK FOR AN ORDERLY POLITICAL AND ECONOMIC WORLD WHICH YOU WOULD INVITE BELLIGERENTS TO JOIN. SUCH A FRAMEWORK WOULD SET FORTH CERTAIN BASIC PRINCIPLES TO WHICH THE BELLIGERENTS COULD SUBSCRIBE. THIS FRAMEWORK WOULD HAVE TO RECOGNIZE CERTAIN PRACTICAL FACTORS IN THE EUROPEAN SITUATION. FOR EXAMPLE ENGLAND HAS DECLARED AGAIN AND AGAIN THAT GERMANY IS A CONSTANT FACTOR FOR UNREST IN EUROPE AND THAT THE WORLD CANNOT SETTLE DOWN TO ORDERLY PROGRESS UNTIL GERMANY CEASES TO PRESS ITS NOISANCE VALUE AND STOPS GRABBING MORE TERRITORY. SOME ASSURANCE MUST, THEREFORE, BE GIVEN TO THE BRITISH PEOPLE THAT ONCE GERMANY'S LEGITIMATE DEMANDS ARE FULFILLED GERMANY TOO WILL SETTLE DOWN TO BUSINESS AND CEASE PULLING SOME NEW STUNT EVERY FEW MONTHS. AS EVIDENCE OF GERMANY'S WILLING

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TEXT

EMPHATIC ASSURANCE FOR TRANSMISSION TO YOU THAT WITH THE RECOGNITION OF GERMANY AS A FIRST CLASS POWER ENTITLED TO HAVE SOME HEGEMONY IN HER PART OF THE WORLD AND WITH THE SATISFACTION OF GERMANY'S COLONIAL CLAIMS, A LONG PERIOD OF PEACE CAN COME SO FAR AS GERMANY IS CONCERNED THE PRESIDENT OF THE UNITED STATES COULD ELICIT A SILENT PLEDGE FROM BOTH SIDES THAT AFTER THE TWO PARTIES HAD STOPPED FIGHTING AND HAD AGREED UPON AN EQUITABLE PEACE BETWEEN THEM, A PEACE FORMULATED UNDER THE GUIDANCE OF THE PRESIDENT AS MODERATOR, THEY AGREE TO LET THE OTHER FELLOW ALONE AND CEASE PUNISHING HIM BY STAMPING HIM UP TROUBLE IN THE OTHER FELLOWS BACK YARD.

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TEXT

IT SHOULD BE REMEMBERED THAT THE UNITED STATES COULD NOT GUARANTEE EITHER SIDE, THE AMERICAN PUBLIC OPINION IS DEAD SET AGAINST ANY SUCH COMMITMENT OR INVOLVEMENT. THE ALLIES DID THEIR BEST TO MAKE US GUARANTEE THEIR SIDE AFTER THE LAST WAR AND FAILED. AMERICA OF COURSE, WILL NOT FALL FOR THAT THIS TIME EITHER. BUT THE PRESIDENT OF THE UNITED STATES COULD BECOME A TRUSTEE FOR BOTH SIDES BY LOCKING UP IN HIS SAFE, FIGURATIVELY SPEAKING, A SOLEMN DOCUMENT FROM BOTH SIDES, WHEREBY BOTH SIDES AGREE THAT THE PEACE TREATY WHICH THEY HAVE SIGNED SHALL BE A LASTING ONE. WITH HIS SKILL FOR DRAMATIC PRESENTATION MR. ROOSEVELT COULD GIVE WORLD WIDE PUBLICITY TO THESE PLEDGES AND ALSO LET THE WORLD KNOW THAT A VIOLATION OF THEM WOULD RAISE UP THE ENTIRE MORAL FORCE OF THE UNITED STATES AGAINST THE VIOLATOR. SUCH A MAGNA CHARTER OF WORLD PEACE WOULD ASSURE THE BRITISH NATION THAT HAD NOT DECLARED WAR IN VAIN. ~~ENGLAND~~ ENGLAND WOULD HAVE ACHIEVED WHAT SHE COULD NOT ATTAIN AFTER THE LAST WAR. THEN IT WAS CLEARLY A DICTATED PEACE AND, OF COURSE, THE LOSER COULD DO NOTHING BUT ACCEPT IT

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ROUTINE to	INFORMATION		
PRIORITY to			

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PAGE 16

TEXT

WITHOUT REALLY ENTENDING TO DO ANYTHING BUT THROW OFF THE SCHACKLE
AT THE FIRST OPPORTUNITY. IN CONTRAST, A PEACE AMONG EQUALS WOULD BE
SOMETHING & TO THE LASTING OBSERVANCE OF WHICH BOTH SIDES COULD PLE
GE THEMSELVES. IF A TRUCE COULD BE DECLARED DURING WHICH THESE PRINC
ALS COULD BE DISCUSSED ONLY A FEW MONTHS OF RELIEF WOULD BE NEEDED
FROM THE DANGER AND FEAR OF IMMIDENT MILITARY AGGRESSIVENESS TO
EXPLORE THE PRACTICAL POSSIBILITIES OF APPLYING THESE PRINCIPALS.
IF AT THE END OF SUCH A PERIOD OF TRUCE IT SHOULD BE FOUND THAT THE
PRINCIPALS CONTAINED NO GROUND FOR A MORE ORDERLY POLITICAL AND ECON
OMIC world. THEN IT WOULD BE TIME ENOUGH TO SAY LET THE WAR GO ON AND LET
WORLD GO TO HELL. THIS IS MY LAST MESSAGE OF THE PRESENT SERIES AND
BEFORE MAKING ANY MORE CONTACTS I SHALL AWAIT YOUR FURTHER WISHES.

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ODD DIR. 5200.9 (9/27/58)

RESPECTFULLY YOURS,

JAMES D MOONEY
MKK

a24K16

NAVAL MESSAGE (NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after addressee requiring acknowledgment
Released by (Signature)			
Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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PAGE 4

OF HORROR TOWARD THEIR USE, ^{TEXT} HOWEVER IN FIGHTING FOR HER NATIONAL EXSISTENCE, GERMANY WAS FORCED TO MEET ANY MILITARY NECESSITY WHICH CONFRONTED HER WITH EVERY MEANS AT HER DISPOSAL, ENGLAND WAS SURELY USING EVERY WEAPON, MILITARY AND ECONOMIC, INCLUDING THE BLOCKADE AGAINST COMBATANTS AND CIVILIAN POPULATION ALIKE, AND WAS PRESS NG FORWARD TO EQUAL GERMANY IN THE VERY WEAPONS WHOSE USE ENGLAND NOW DECRIED, AND AGAINST WHICH AMERICAN OPINION WAS SO DEFINITELY NEGATIVE. AS TO THE BRITISH EMPIRE, THE FIELD MARSHALL CONSIDERED THAT IT HAS PERFORMED AND CAN CONTINUE TO PERFORM A MOST USEFUL SERVICE TO THE ENTIRE CIVILIZED WORLD. HE AGREED THAT THE AMERICAN VIEW THAT ANY SERIUOS WEAKENING OF THE EMPIRE WOULD BE A SEVERE LOSS TO THE WHITE RACE IN ALL PARTS OF THE WORLD. GERMANY HAD NO QUARREL WITH THE BRITISH EMPIRE AS SUCH, BUT WITH THE ENGLISH POLICY OF INTERFERENCE IN EUROPEAN AFFAIRS OUTSIDE THE BRITISH EMPIRE; FURTHER GERMANY RESENTED THE STRANGLE HOLD ON THE WORLDS ECONOMIC ~~TRADE~~ ROUTES WHICH ENGLAND ENDEAVORED TO MAINTAIN

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NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
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Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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PAGE 7

TEXT

ACCEPT, SOME OF THE RUSSIAN POINTS OF VIEW; BUT FINLAND HAD REFUSED TO MAKE ANY CONCESSIONS. THE FIELD MARSHALL CONTINUED THAT EVERYTHING POSSIBLE IN THE SITUATION WAS BEING DONE, AND THAT THERE WERE HOPES THAT THE DESTROYED CITY OF VIBORG MIGHT PROVIDE THE NUCLEUS FOR A SOLUTION OF THE PROBLEM ON A REALISTIC BASIS. HE ADDED, FURTHER, THAT THIS CITY, WHICH HAS BEEN ONE OF THE PRINCIPAL RUSSIAN DEMANDS, AND WHICH IS OUTSIDE THE FINNISH LINES OF DEFENSE, WILL HAVE TO BE ALMOST COMPLETELY REBUILT. IT WAS HOPED THAT FINLAND WOULD AGREE TO LEAVE THE PRESENT SITE TO THE RUSSIANS, AND REBUILD IT AT A NEARBY SITE WITHIN THEIR NATURAL LINES OF DEFENSE. IN SUMMARIZING THE FINNISH SITUATION, THE FIELD MARSHALL WANTED ME TO GIVE ASSURANCES TO THE PRESIDENT THAT GERMANY WAS MOST INTERESTED IN AN EARLY AND EQUITABLE SOLUTION OF THE WHOLE PROBLEM. HE CONCLUDED BY SAYING THAT IN THE FINNISH SITUATION EVERYTHING POSSIBLE HAD BEEN DONE, AND THAT EVERYTHING THAT ^CWOULD POSSIBLY BE DONE WOULD BE DONE TO THIS END.

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a 24407

NAVAL MESSAGE
(NAVY DEPARTMENT)

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Date	INFORMATION	To	
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PAGE 8

TEXT

AS TO THE GOVERNMENT REGIME IN GERMANY, IN WHICH ENGLAND HAS
 PROFESSED LACK OF CONFIDENCE, THE FIELD MARSHALL WAS CONVINCED
 THAT THE GERMAN SCHEME OF GOVERNMENT WAS SO FIRMLY ROOTED IN THE
 NATION THAT IT COULD NOT BE DISPLACED - UNTIL GERMANY AND WITH
 HER MOST OF MIDDLE EUROPE, WAS BROUGHT TO MILITARY, ECONOMIC AND
 SOCIAL COLLAPSE. IT WAS DOUBTFUL WHETHER ENGLAND COULD HAVE
 GREATER CONFIDENCE IN THE SUCCEEDING REVOLUTIONARY REGIME
 WHICH WOULD SPRING UP FROM THE RUINS OF EUROPE. GERMANY WAS
 FIGHTING FIRST OF ALL AGAINST THEIR OWN DESTRUCTION BY ENGLAND
 AND FRANCE, AND FOR ESCAPE FROM STARVATION. GERMANY WANTED A
 GERMAN SPHERE OF INFLUENCE IN MIDDLE EUROPE WHICH WOULD BE LIKENE
 TO A GERMAN MONROE DOCTRINE. GERMANY WANTED ACCESS TO THE WORLDS
 RAW MATERIALS AND TRADE THROUGH RESTORATION OF HER COLONIES, AND
 THROUGH REMOVAL OF THE STRANGLE-HOLD WHICH ENGLAND AND FRANCE
 IMPOSED ON NATURAL RESOURCES AND TRADE ROUTES BY FORCE OF THEIR
 EMPIRES. POLITICAL, CULTURAL AND RELIGIOUS AUTONOMY FOR THE
 STATES IN THE GERMAN ORBIT WERE INCLUDED IN THIS CON

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a 24208

NAVAL MESSAGE
(NAVY DEPARTMENT)

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Date	INFORMATION	To	
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PAGE 9

CEPT, AND SINCE THEY WERE NOT ^{TEXT}STRONG ENOUGH IN MILITARY OR ECONOMIC TERMS TO MAINTAIN THE INDEPENDENCE OF THEIR INTERNATIONAL POSITION IN THESE RESPECTS. POLITICAL INTERFERENCE FROM OUTSIDE WOULD BE EXCLUDED FROM THIS GERMAN SPHERE OF INFLUENCE. THESE CONDITIONS ALREADY PREVAILED IN SLOVAKIA -- WERE BEING DEVELOPED AS RAPIDLY AS POSSIBLE IN BOHEMIA AND MORAVIA, AND WOULD BE INTRODUCED INTO POLAND. TURNING TO ECONOMIC QUESTIONS, THE FIELD MARSHALL DISCUSSED THE MOST FAVORED NATION PRINCIPLE -- WHICH WAS GERMANY'S BASIC GUIDING PRINCIPLE IN ALL THE COMMERCIAL TREATIES SHE WAS MAKING. THE ONLY DIFFERENCE BETWEEN THE GERMAN AND AMERICAN VIEWS OF THIS PRINCIPLE LAY IN THE RESPECTIVE THEORIES ON THIS MATTER IN ACTUAL PRACTICE. GERMANY WAS REQUIRED BY THE NECESSITIES OF THE SITUATION IN VARIOUS COUNTRIES WITH WHICH SHE NEGOTIATED TRADE AGREEMENTS, TO ESTABLISH SOME QUALIFICATIONS AND DEVIATIONS FROM THE THEORETICAL PRINCIPLE -- JUST AS AMERICA IN CERTAIN CASES MADE EXCEPTIONS AND SPECIAL PROVISIONS ESTABLISHED BY GERMANY COULD ALSO BE

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224209

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
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NITE to			
ROUTINE to			
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PAGE 10

COMPARED WITH THE EXCEPTIONS ^{TEXT} AND DEVIATIONS OBSERVABLE IN THE OTTAWA AGREEMENTS. THERE HAD BEEN NO CHANGE IN GERMANY'S VIEWS ON THE MOST FAVORED NATION PRINCIPLE SINCE BEFORE 1914, BUT THE ALTERED CIRCUMSTANCES THROUGHOUT THE WORLD WITH RESPECT TO THE GOLD STANDARD, SEVERE EXCHANGE FLUCTUATIONS AND BLOCKED CURRENCIES HAD RENDERED THESE DEVIATIONS FROM THE THEORETICAL PRINCIPLE NECESSARY, IF TRADE WERE TO BE MAINTAINED AT ALL. FOR EXAMPLE: THE COUNTRIES IN SOUTHEASTERN EUROPE -- WHICH GERMANY REGARDED AS FALLING WITHIN THE GERMAN SPHERE OF INFLUENCE, AND WITH WHOM VARIOUS TRADE AGREEMENTS AND ARRANGEMENTS HAD BEEN EFFECTED -- ALL HAD EXCHANGE CONTROLS OF ONE KIND OR ANOTHER. GERMANY WAS THE BEST MARKET BY FAR FOR THEIR PRODUCTS. THESE COUNTRIES WERE READY AND WILLING TO ACCEPT GERMAN GOODS IN PAYMENT AND TO ACCEPT THE CAPITAL ASSISTANCE WHICH GERMANY OFFERED TO BUILD UP THEIR INDUSTRIES AND TO DEVELOPE THEIR NATURAL RESOURCES. THESE COUNTRIES, HOWEVER, COULD NOT COMPETE WITH SOME OF THE LARGE WORLD PRODUCERS OF

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224210

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
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PAGE 11.

TEXT

CERTAIN OF THE COMMODITIES, SUCH AS WHEAT AND BARLEY, WHICH REPRESENTED THE GREATER PART OF THEIR TRADING ASSETS SO THAT IN ESTABLISHING THE ARRANGEMENTS BETWEEN THEIRSELF AND THOSE COUNTRIES TO THEIR MUTUAL ADVANTAGE GERMANY HAD FOUND IT NECESSARY IF THESE ARRANGEMENTS WERE TO FUNCTION AT ALL TO AGREE UPON A MARGIN OVER WORLD PRICES FOR THESE PRODUCTS IN MUCH THE SAME MANNER AS THE UNITED STATES GOVERNMENT HAD RENDERED ASSISTANCE TO THE AMERICAN FARMER.

IN THIS CONNECTION IT WAS IMPORTANT TO NOTE THAT ALTHOUGH THE PRESENT GERMANY REPRESENTED A FAR LARGER POTENTIAL MARKET FOR AMERICAN GOODS THAN EVER BEFORE, THE AMERICAN TARIFF POSITION AND GENERALLY IMPAIRED RELATIONS BETWEEN THE TWO COUNTRIES PREVENTED THIS POTENTIALITY TO A LARGE EXTENT FROM BEING REALIZED. THE FIELD MARSHAL INDICATED A STRONG DESIRE FOR IMPROVED ECONOMIC AND COMMERCIAL RELATIONS AND COOPERATION BETWEEN GERMANY AND THE UNITED STATES AND INDICATED THAT HE FELT THAT MUCH GROUND WOULD BE GAINED FOR BOTH SIDES BY A MORE

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a 24 L 11

NAVAL
(NAVY DEPARTMENT)

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Date	INFORMATION	To	
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PRIORITY to			

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TEXT
LIBERAL ATTITUDE IN AMERICA TOWARDS ACCEPTING IMPORTS FROM GER-
MANY TO PAY FOR AMERICAN EXPORTS.

GERMANY REGARDED MIDDLE EUROPE AS HER SPHERE OF INFLUENCE BUT GRANTED IN PRINCIPLE THAT EACH NATION HAD A RIGHT TO POLITICAL CULTURAL AND RELIGIOUS AUTONOMY AND ITS OWN FORM OF GOVERNMENT. GERMANY REALIZED THE NEED AND THE ADVANTAGE TO HERSELF, TO THE COUNTRIES IN THE GERMAN SPHERE OF INFLUENCE, AND TO THE REST OF THE WORLD OF MAINTAINING AN OPEN DOOR AND THE FREEST POSSIBLE TRADE RELATIONS WITH THE COUNTRIES OF WESTERN EUROPE AND THE REST OF THE WORLD. THE RELATION OF POPULATION TO SUBSISTENCE IN THIS GERMAN SPHERE IS SUCH THAT THE STANDARD OF LIVING IN THIS AREA COULD NOT BE MAINTAINED AND IMPROVED WITHOUT A VIGOROUS FLOW OF TRADE IN BOTH DIRECTIONS WITH COUNTRIES OUTSIDE THE GERMAN SPHERE. THE MODERN INDUSTRIAL DEVELOPMENT OF THE WORLD WAS FAR AHEAD OF THE POLITICAL AND SOCIAL CAPACITIES TO CAPITALIZE CONSTRUCTIVELY UPON THIS DEVELOPMENT FOR A BROADLY IMPROVED STANDARD OF LIVING. STATESMEN EVERYWHERE

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a 24612

**NAVAL MESSAGE
(NAVY DEPARTMENT)**

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CARRY THE RESPONSIBILITY TO BRING ABOUT THE NECESSARY EQUALIZA-
TION OF THESE FUNDAMENTAL FACTORS.

ON THE GENREAL SUBJECT OF WAR AND PEACE THE FIELD MARSHAL
FELT THAT THIS RESTED WITH ENGLAND. GERMANY WAS READY TO END
THE WAR AND TURN TO MORE CONSTRUCTIVE PURPOSES PROVIDED ENGLAND
WOULD ABANDON HER WAR AIM OF GERMANY'S DESTRUCTION. BRITAIN
KNEW WHAT SHE WAS FIGHTING AGAINST- AGAINST A STRONGER GERMANY-
BUT DID NOT SEEM TO KNOW WHAT SHE WAS FIGHTING FOR.

THE FIELD MARSHAL WAS PARTICULARLY INTERESTED IN THE DIS-
CUSSION OF THE POSITION AND FUNCTIONS OF A MODERATOR WITH WHICH
TERM HE HAD NOT BEEN FAMILIAR. IN SUCH CONNECTION HE DREW A
COMPARISON BETWEEN THIS CONCEPT OF MODERATOR AND THE PART PLAYED
BY PRESIDENT WILSON IN THE ARMISTICE AND PEACE NEGOTIATIONS
FOLLOWING THE WORLD WAR WHICH, IN HIS OPINION, HAD NOT BEEN
PRODUCTIVE OF THE BEST RESULTS, HOWEVER HE RECOGNIZED THE DIS-
TINCTION THAT IN 1918-19 THE SITUATION INVOLVED VICTORIOUS
AND DEFEATED NATIONS WHICH IS NOT THE CASE IN THE PRESENT SITUA-

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nication Watch Officer in person. (See
Art. 76 (4), Navy Regulations.)

a24213

NAVAL MESSAGE
(NAVY DEPARTMENT)

From	ACTION	To	Write A.C.E. after address requiring acknowledgment
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Date	INFORMATION	To	
NOTE to			
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TEXT

TION. FURTHERMORE HE REALIZED THAT PUBLIC OPINION IN THE UNITED STATES TWENTY YEARS AGO HAD NOT BEEN IN FAVOR OF SOME OF THE FEATURES OF PRESIDENT WILSON'S PLAN, WHEREAS NOW AMERICAN PUBLIC OPINION SEEMED TO BE DEFINITELY IN FAVOR OF ENDING THE WAR.

THE FIELD MARSHAL CONTINUED THAT HE WOULD LIKE VERY MUCH TO SEE SOMETHING DONE TO BRING ABOUT AN EARLY END TO THE HOSTILITIES BUT WAS INCLINED TO DOUBT WHETHER AMERICA COULD EFFECTIVELY ASSUME THE ROLE OF MODERATOR NOW IN VIEW OF THE ENGLISH VIEWPOINT AND STATE OF MIND. HE FELT DEFINITELY THAT THE PRINCIPAL DIFFICULTY AT PRESENT IN THE WAY OF AN APPROACH TO THE PROBLEM BY WAY OF A MODERATOR LAY IN LONDON. IF SOMETHING WERE TO BE INITIATED FROM THE AMERICAN SIDE IN THIS GENERAL DIRECTION THE FIELD MARSHAL WAS OF THE OPINION THAT IT SHOULD BE DONE VERY SOON BECAUSE VERY IMPORTANT PRESENT ADVANTAGES TO GERMANY WOULD BE IMPAIRED BY LONG CONTINUED DELAY. THIS WAS TOO GREAT A RESPONSIBILITY FOR THE LEADERS OF GERMANY TO ASSUME TO INCUR SUCH PENALTIES BY A POLICY OF INDETERMINATE WAITING. IF GERMANY COULD BE SURE

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a24L14

NAVY DEPARTMENT

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Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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THAT SOMETHING CONSTRUCTIVE WAS ^{TEXT} IN PROCESS OF DEVELOPMENT INCLUDING THE NECESSARY CHANGES IN THE ENGLISH AND FRENCH STANDPOINTS SHE WOULD NOT FORCE THE DECISION AGGRESSIVELY, BUT THERE WERE BRAVE DOUBTS AS TO THE POSSIBILITY OF SUCH CIRCUMSTANCES MATERIALIZING.

DEALING WITH THE MILITARY SITUATION THE FIELD MARSHAL FELT THAT SINCE ENGLAND HAD DECIDED TO MAKE THIS WAR A HEAVY RESPONSIBILITY RESTED UPON THOSE WHO DIRECTED GERMANY'S EFFORTS IF THEY FAILED TO CAPITALIZE UPON THE PRESENT MILITARY ADVANTAGE THESE ARE FELT TO BE A STRONGER AIR FORCE, ALMOST TWICE AS MANY DIVISIONS ON THE WESTERN FRONT AS IN 1914-18, SUPERIOR ARTILLERY AND MORE EFFECTIVE TECHNIQUES IN MINE AND SUBMARINE WARFARE. THE FIELD MARSHAL BELIEVED THAT ENGLAND WOULD NOT BE CONVINCED WITHOUT PUTTING IT TO THE TEST THAT GERMANY WAS ABLE IF NECESSARY TO FIGHT SUCCESSFULLY AGAINST ENGLAND AND FRANCE. IN CONSEQUENCE ENGLAND WAS CONTINUING TO DEVELOPE EVERY MEANS IN HER POWER TO DESTROY GERMANY.

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2246 15

NAVAL MESSAGE

(NAVY DEPARTMENT)

From	ACTION	To	Write ACK. after address requiring acknowledgment
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Date	INFORMATION	To	
NITE to			
ROUTINE to			
PRIORITY to			

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THE FIELD MARSHAL ^{TEXT}FURTHER FELT THAT IF ENGLAND WERE
CONVINCED OF GERMANY'S ABILITY TO DEFEND HERSELF SUCCESSFULLY
ENGLAND WOULD BE READY TO DISCUSS A BASIS FOR ENDING THE WAR.
UNDER SUCH CIRCUMSTANCES SHE WOULD FIND GERMANY EQUALLY READY TO
TAKE PART IN SUCH DISCUSSIONS.

THIS CONCLUDES THE OUTLINE OF THE DISCUSSION WITH
FIELD MARSHAL GOERING.

YOURS RESPECTFULLY,

JAMES D. MOONEY

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DDI DIR. 5200.9 (9/27/58)

Date- 2-4-71

Signature- RHP

24416

Germany
PSF
THE WHITE HOUSE
WASHINGTON

March 25, 1940.

MEMORANDUM FOR

CAPTAIN CALLAGHAN

Will you send the following
code telegram to Jim Mooney through
the Navy:

"I am very grateful to you
for your dispatches and they
help to understand the picture.
Best wishes

ROOSEVELT"

a24m01

Safe: Germany 3245

NAVAL MESSAGE
(NAVY DEPARTMENT)

From <u>COMMANDER SQUADRON 40-T</u>	ACTION	To
Released by <u>X-BG-K Y-K</u> (Signature)		THE CHIEF OF NAVAL OPERATIONS
Date <u>17 MARCH, 1940</u>	INFORMATION	To
NITE to		Franklin D. Roosevelt Library
ROUTINE to		DECLASSIFIED
PRIORITY to <u>XXXX</u>		DDO DIR. 5200.9 (9/27/58)

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Date- 2-4-70

Signature- RHP

PAGE 1

TEXT

I WILL NOW OUTLINE, MY DEAR MR. PRESIDENT, THE DISCUSSION WITH CHANCELLOR HITLER IN BERLIN ON MARCH 4TH. THE ARRANGEMENTS FOR THE DISCUSSION WITH CHANCELLOR HITLER MADE BY FOREIGN MINISTER VON RIBBENTROP WITH WHOM I HAD VISITED ON 29 FEBRUARY. BEFORE PROCEEDING TO THE OUTLINE OF THE DISCUSSION WITH CHANCELLOR HITLER I WOULD LIKE TO PRESENT TO YOU A FEW DETAILS ABOUT MY RECEPTION BY THE CHANCELLOR BECAUSE IT WILL PROVIDE YOU WITH SOME BACKGROUND AS TO THE BASIS ON WHICH I PRESENTED MYSELF TO THE GERMAN GOVERNMENT AND IN TURN THE RESPONSE THAT WAS MADE. SHORTLY AFTER MY ARRIVAL IN BERLIN I SENT THE FOLLOWING LETTER TO THE CHANCELLOR

QUOTE I NEED HARDLY INFORM YOU MR. CHANCELLOR THAT THE HUMAN AND ECONOMIC CONSEQUENCES OF THE PRESENT WAR ARE TERRIBLY DISTURBING TO THE PEOPLE OF THE ENTIRE WORLD. THE PEOPLE IN MY OWN COUNTRY FEEL THAT THE WAR CAN END ONLY IN DISASTER FOR EUROPE AND THAT THE WAR WILL EVENTUALLY HAVE VERY SERIOUS CONSEQUENCIES IN AMERICA. I KNOW THAT THE WELFARE OF THE PEOPLE AND THEIR INNER

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a24m02

NAVAL MESSAGE

(NAVY DEPARTMENT)

From <u>COMMANDER SQUADRON 40-T</u>	ACTION	To <u>THE CHIEF OF NAVAL OPERATIONS</u>
Released by <u>X-BG-K Y-K</u> (Signature)		
Date <u>17 MARCH, 1940</u>	INFORMATION	To
NITE to		
ROUTINE to		
PRIORITY to <u>XXXX</u>		

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PAGE 2

TEXT

FEELINGS HAVE ALWAYS LAIN CLOSE TO YOUR HEART AND I BELIEVE THAT IT WOULD SERVE A USEFUL PURPOSE IF I WERE GIVEN THE OPPORTUNITY TO DISCUSS THIS PROBLEM GENERALLY WITH YOU. I KNOW ALSO THAT YOU MR. CHANCELLOR BELONG TO THE GROUP OF MEN IN EUROPE AND THE UNITED STATES WHO BELIEVE THAT THE PRESENT WAR IS A POOR AND DISASTROUS WAY TO DISPOSE OF THE MANY INTERNATIONAL POLITICAL AND ECONOMIC MISTAKES THAT HAVE BEEN MADE SINCE 1914 AND IT IS ON THIS COMMON GROUND THAT I SHOULD LIKE TO DISCUSS THE ENTIRE PROBLEM WITH YOU UNQUOTE. MY LETTER WAS ROUTED THROUGH THE FOREIGN OFFICE AND A FEW DAYS LATER I WAS RECEIVED BY THE FOREIGN MINISTER MR. VON RIBBENTROP. DURING THIS DISCUSSION WITH THE FOREIGN MINISTER THE UNOFFICIAL INFORMAL CHARACTER OF MY ENTIRE VISIT WAS MADE CLEAR TO HIM. THE ARRANGEMENTS FOR THE VISIT WITH THE CHANCELLOR WERE ESTABLISHED ON THIS GROUND. WHEN I WAS RECEIVED BY THE CHANCELLOR THE GUARD OF HONOR WAS TURNED OUT AND GENERALLY I WAS TREATED MOST COURTEOUSLY. I NEED HARDLY TELL YOU

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a24m03

NAVAL MESSAGE

(NAVY DEPARTMENT)

From COMMANDER SQUADRON 40-T

Released by X-BC-K Y-K

(Signature)

Date 17 MARCH, 1940

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ROUTINE to _____

PRIORITY to XXXXX

ACTION

To

THE CHIEF OF NAVAL OPERATION

INFORMATION

To

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PAGE 3

TEXT

THAT THIS WAS NOT BECAUSE OF MYSELF PERSONALLY. OBVIOUSLY THE COURTESIES WERE INTENDED ~~XX~~ AS MARKS OF RESPECT TO YOU AND TO THE UNITED STATES OR IN ANY EVENT TO ME AS AN AMERICAN CITIZEN CARRYING WORD FROM YOU. THE CHANCELLOR WAS WARM AND FRIENDLY AND THE DISCUSSION DURING OUR VISIT TOOK PLACE BETWEEN HIMSELF AND MYSELF ALONE. THERE WERE PRESENT ONLY TWO OTHER PERSONS ONE A UNIFORMED OFFICIAL ACTING REALLY AS HIS BODY GUARD AND ANOTHER WHO TOOK NOTES OF THE CONVERSATION AND OCCASINALLY INTERPRETED ~~THE~~ THE MORE INVOLVED ENGLISH INTO GERMAN FOR THE BENEFIT OF THE CHANCELLOR. I STARTED OUT THE DISCUSSION BY PRESENTING TO THE CHANCELLOR YOUR PERSONAL RESPECTS AND GREETINGS TO WHICH HE RESPONDED WARMLY. I THEN TOLD THE CHANCELLOR THAT THE PRESIDENT HAD FELT THAT BY KEEPING THE DISCUSSION ON AN INFORMAL BASIS THE HEADS OF THE GOVERNMENTS COULD BETTER UNDERSTAND EACH OTHER AND WHAT THEY REALLY WANTED TO GET AT. THE PRESIDENT WANTED TO BE INFORMED AS TO WHAT THE LEADERS IN THE VARIOUS COUNTRIES IN

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NAVAL MESSAGE

(NAVY DEPARTMENT)

From COMMANDER SQUADRON 41-
 Released by X-BG-K Y-K
 Date 17 MARCH, 1940
 NITE to _____
 ROUTINE to _____
 PRIORITY to XXXX

ACTION

To

THE CHIEF OF NAVAL OPERATIONS

INFORMATION

To

(DO NOT WRITE IN THIS SPACE)

Franklin D. Roosevelt
 requiring acknowledgment

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DDO WIL. 5200.9 (9/27/58)

PAGE 4

TEXT

EUROPE REALLY AND ACTUALLY HAD IN THEIR MINDS. IN THIS WAY PRELIMINARIES COULD BE DEVELOPED FOR THE FORMALITIES THAT MUST BE ARRANGED AS AN INTRODUCTION TO AN ORDERLY POLITICAL AND ECONOMIC WORLD. I DISCUSSED THE PRESIDENTS ATTITUDE TOWARDS GERMANY AS HE HAD DISCLOSED IT TO ME DURING THE PERSONAL DISCUSSION I HAD ~~XX~~ HAD WITH HIM ON MY RECENT VISIT WITH HIM IN WASHINGTON. THE PRESIDENT HAD SAID TO ME I WISH THAT YOU WOULD REMIND THE GERMANS THAT I WENT TO SCHOOL IN GERMANY AND THAT I BECAME VERY FAMILIAR WITH THEIR COUNTRY IN MY YOUNGER DAYS. I HAVE MANY GERMAN PERSONAL FRIENDS. IN MY BUSINESS DAYS I HAD NUMEROUS CLIENTS WITH INTERESTS IN GERMANY AND THROUGH THEM AND IN OTHER WAYS I HAVE KEPT CLOSE TOUCH WITH GERMANY OVER A PERIOD OF MANY YEARS. THE PRESIDENT HAD DISCLOSED TO ME THAT HE WAS NOT INTERESTED IN SAYING TO THE GERMAN PEOPLE WHAT THEY SHOULD DO ABOUT THEIR LEADERS OR THEIR GOVERNMENT-THAT WAS THEIR OWN AFFAIR. HE FELT THAT EVERY PEOPLE WAS ENTITLED TO HAVE THE FORM OF

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a24m05

NAVAL MESSAGE

(NAVY DEPARTMENT)

From COMMANDER SQUADRON 43-T
 Released by X-BG-K Y-K
 Date 17 MARCH, 1940
 NITE to _____
 ROUTINE to _____
 PRIORITY to XXXX

ACTION

To

THE CHIEF OF NAVAL OPERATIONS

INFORMATION

To

(DO NOT WRITE IN THIS SPACE)

Franklin D. Roosevelt
 Declassified
 9/27/58

000 UIR. 5200.9 (9/27/58)

PAGE 5

TEXT

GOVERNMENT AND THE INDIVIDUAL LEADERS AS THEY DESIRE AND CHOOSE FOR THEMSELVES. THE PRESIDENT FELT THAT THE UNITED STATES IN COMMON WITH ALL OTHER COUNTRIES HAD A VITAL INTEREST IN THE PRESENT WAR AND THAT OUR COUNTRY RAN THE RISK OF SUFFERING SERIOUS CONSEQUENCES FROM THE WAR. HE WAS INTERESTED IN A BROAD WORLD SOLUTION OF THE MANY POLITICAL AND ECONOMIC PROBLEMS WHICH CONFRONT THE WORLD TODAY AND HE WAS CONVINCED THAT IN THE SOLUTION THE UNITED STATES MUST NECESSARILY PLAY AN IMPORTANT PART. HE WAS INTERESTED IN A FAIR AND EQUITABLE SOLUTION OF THE IMMEDIATE DIFFICULTIES BETWEEN INDIVIDUAL COUNTRIES PRIMARILY BECAUSE THESE DIFFICULTIES BEAR ON THE BROAD WORLD PROBLEM. IN THIS CONNECTION HE HAD SAID I AM NOT INTERESTED IN ANY SCHEME FOR WORLD DOMINATION ON THE PART OF THE BRITISH OR THE FRENCH ANY MORE THAN I AM ON THE PART OF THE GERMANS. THE PRESIDENT HAD SAID THAT PERHAPS WE COULD AGREE ON A FRAMEWORK FOR AN ORDERLY POLITICAL AND ECONOMIC

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a24m06

NAVAL MESSAGE

(NAVY DEPARTMENT)

From <u>COMMANDER SQUADRON 40-T</u>	ACTION	To
Released by <u>X-8G-K Y-K</u> (Signature)		THE CHIEF OF NAVAL OPERATION
Date <u>17M MARCH, 1940</u>	INFORMATION	To
NITE to		
ROUTINE to		
PRIORITY to <u>XXXX</u>		

(DO NOT WRITE IN THIS SPACE)

PAGE 6

TEXT

WORLD TO WHICH THE LEADERS OF THE VARIOUS EUROPEAN COUNTRIES COULD SUBSCRIBE IN PRINCIPAL. IT WAS THE PRESIDENTS ATTITUDE THAT TO REINFORCE SUCH A FRAMEWORK THE UNITED STATES COULD MAKE A SUBSTANTIAL CONTRIBUTION OF ITS SURPLUS COMMODITIES SUCH AS COTTON WHEAT AND COPPER AS WELL AS GOLD. THE PRESIDENT FELT THAT ALL COUNTRIES AND ESPECIALLY GERMANY SHOULD HAVE BROADER AND FREER ACCESS TO RAW MATERIALS. AS AN EXAMPLE HE MENTIONED COPPER AS A MATERIAL THAT COULD BE MADE AVAILABLE IN A BROADER WAY FOR EUROPE AND THE COUNTRIES THAT PARTICULARLY WANT COPPER. HE WOULD DO SOMETHING ABOUT THIS ENTIRE PROBLEM. THE PRESIDENT WAS IN FAVOR OF FREEING TRADE RATHER THAN IN FREE TRADE AS A WORLD POLICY. WITH REGARD TO REDUCING THE OBSTRUCTIONS TO WORLD COMMERCE HE SAID I DO NOT BELIEVE THAT SOME OF THE SCHEMES THAT ARE BEING DISCUSSED FOR DOING AWAY WITH TARIFFS ENTIRELY IN EUROPE ARE PRACTICABLE. GOVERNMENTS WILL CONTINUE TO NEED TARIFFS FOR REVENUE PURPOSES. IN THE MATTER OF OPENING

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NAVAL MESSAGE (NAVY DEPARTMENT)

From <u>COMMANDER SQUADRON 40-T</u>	ACTION	To
Released by <u>X-BG CWM Y-CWM</u> (Signature)		THE CHIEF OF NAVAL OPERATIONS
Date <u>17 MARCH 1940</u>	INFORMATION	To
NITE to _____		
ROUTINE to _____		
PRIORITY to <u>XXXXXXX</u>		

(DO NOT WRITE IN THIS SPACE)

PAGE 7

TEXT

UP A BROADER DISTRIBUTION OF GOODS AND RAW MATERIALS IT WOULD BE BETTER TO HEAD IN THIS DIRECTION GRADUALLY THAN TO MAKE ANY GREAT RADICAL CHANGES, THERE MUST BE A GRADUAL AND ORDERLY TRANSITION BETWEEN PEACE TIME ECONOMY THROUGHOUT THE WORLD. THE PRESIDENT BELIEVES IN PROMOTING THE ACCEPTANCE OF THE MOST FAVORED NATION PRINCIPLE AS A GROUND WORK FOR RECONSTRUCTING INTERNATIONAL TRADE. HE RECOGNIZES HOWEVER THAT CERTAIN PRACTICAL POLITICAL AND ECONOMIC CONSIDERATIONS WILL REQUIRE INTERMEDIATE DEVIATIONS FROM THIS PRINCIPLE. IN CONNECTION WITH THE ABSORPTION OF THE UNEMPLOYED AND ARMAMENT WORKERS THE PRESIDENT SAID HOWEVER TARIFF BARRIERS MUST BE CUT DOWN AND TRADE RELATIONS CONSIDERABLY IMPROVED IN EUROPE BECAUSE IN ANY DISCUSSION OF RECONSTRUCTING AN ORDERLY WORLD IT IS NECESSARY TO PROVIDE SOME WAY FOR GIVING EMPLOYMENT TO THE PEOPLE WHO ARE NOT BEING USED FOR ARMAMENT PROGRAMS. DURING RECENT YEARS AND ESPECIALLY DURING THE LAST YEAR OR TWO

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NAVAL MESSAGE

(NAVY DEPARTMENT)

From COMMANDER SQUADRON 40T

Released by X-Y CWM (Signature)

Date 17 MARCH 1940

NITE to _____

ROUTINE to _____

PRIORITY to XXXXXXX

ACTION

To

THE CHIEF OF NAVAL OPERATIONS

INFORMATION

To

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PAGE 8

TEXT

EMPLOYMENT HAS BEEN USED FOR ARMAMENTS BECAUSE INDUSTRY AND TRADE HAVE BEEN SO HARD HIT BY THE MANY RESTRICTIONS ON INTERNATIONAL FLOW OF TRADE. I EXPLAINED TO HITLER THAT THE PRESIDENT HAD NO DETAILED PEACE PLAN READY OR STATEMENT OF PEACE TERMS WHICH HE INTENDED TO PRESENT AT THIS TIME TO THE BELLIGERENT NATIONS, THE PRESIDENT HAD EXPRESSED NO INTEREST ON THE SEVERAL TIMES WHEN HE TALKED ABOUT THE SITUATION WITH ME IN INTERPOSING HIMSELF BETWEEN THE WARRING NATIONS TO URGE THEM TO PEACE, HE WAS NOT OFFERING HIMSELF AS A PEACE MAKER IN THE PRESENT SITUATION. FURTHER HE WAS NOT OFFERING HIMSELF AS AN ARBITRATOR EITHER NOW OR IN THE FUTURE. HOWEVER IF THE BELLIGERENTS DESIRED TO CALL UPON MR ROOSEVELT TO ACT IN THE CAPACITY OF A MODERATOR HE WOULD BE VERY GLAD TO ACT AS SUCH HE HAD SAID TO ME I WOULD MUCH PREFER TO RESPOND TO SUCH A REQUEST BY SERVING AS A POSSIBLE MODERATOR IN THE SITUATION RATHER THAN BE ASKED TO SERVE AS

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NAVAL MESSAGE

(NAVY DEPARTMENT)

From COMMANDER SQUADRON 43-T
 Released by X-Y CWM
 Date 17 MARCH 1940
 NITE to _____
 ROUTINE to _____
 PRIORITY to XXXXXXXXXX

ACTION
 INFORMATION

To
 THE CHIEF OF NAVAL OPERATIONS

To

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PAGE 9

TEXT

AN ARBITRATOR, I THEN EXPLAINED TO THE CHANCELLOR THAT THE PRESIDENT HAD CHOSEN A TYPICALLY UNITED STATES OFFICE TO ILLUSTRATE THE POSITION AND FUNCTIONS WHICH HE HAD IN MIND. THE DESIGNATION MODERATOR IS EMPLOYED IN CONJUNCTION WITH AN OLD ESTABLISHED AMERICAN INSTITUTION THE TOWN MEETING AND APPEARS ALSO IN THE ORGANIZATION OF THE PRESBYTERIAN AND SOME OF THE OTHER PROTESTANT CHURCHES. AT THIS POINT I PRESENTED A WRITTEN DEFINITION OF THE DISTINCTIVE FEATURES OF THE POSITION AND FUNCTIONS OF A MODERATOR WHICH HAD BEEN TRANSLATED INTO GERMAN FOR THE CHANCELLOR.

THE CHANCELLOR WAS EXTREMELY INTERESTED IN THIS DEFINITION AND READ IT MOST CAREFULLY. THE FOLLOWING IS THE EXACT READING OF THE DEFINITION OF A MODERATOR WHICH I PRESENTED TO THE CHANCELLOR:

124m10

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From	ACTION	To
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TEXT

"THE MODERATOR IS CHOSEN BY THE COMMON AGREEMENT OF THOSE WHOM HE SERVES. THE MODERATOR HAS NO SPECIAL POWER OR SUPREMACY OVER HIS ASSOCIATES BUT IS HONORED AND HIS WORD CARRIES WEIGHT AS LATIN PHRASE - PRIMUS INTER PARES - MEANING FIRST AMONG EQUALS. THOSE WHOM THE MODERATOR SERVES HAVE NO JURISDICTION OVER THE MODERATOR. IT IS THE DUTY OF THE MODERATOR TO SEE THAT THE BUSINESS OF THE MEETING OR CONFERENCE OVER WHICH HE PRESIDES IS TRANSACTED IN ACCORDANCE WITH A PREVIOUSLY DEFINED AND ACCEPTED SET OF PRINCIPLES. THE MODERATOR'S METHODS OF EXECUTING HIS FUNCTION IS NOT BY MAKING FINAL DECISIONS AS AN ARBITRATOR NOR BY CASTING A DECISIVE VOTE IN THE EVENT OF BALANCED OPPOSING VIEWS. THESE POWERS ARE NOT INHERENT IN THE MODERATOR'S OFFICE, INSTEAD IT IS THE FUNCTION OF THE MODERATOR TO ESTABLISH THE MAGNITUDE AND CHARACTER OF THE AREAS OF DIFFERENCE BETWEEN OPPOSING VIEWS AND TO ATTEMPT BY ALL MEANS AT HIS

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TEXT

DISPOSAL TO REDUCE AND RECONCILE SUCH DIFFERENCES FOR THE GREATEST OVERALL GOOD OF THE GROUP AS A WHOLE."

THIS CONCLUDES MY PRESENTATION OF THE PRESIDENT'S INFORMAL UNOFFICIAL ATTITUDES. IN RESPONSE THE CHANCELLOR FIRST OF ALL EXPRESSED SATISFACTION THAT PRESIDENT ROOSEVELT HAD CONSIDERED IT USEFUL TO EXCHANGE VIEWS IN AN UNOFFICIAL INFORMAL MANNER THROUGH MR. MOONEY. THE CHANCELLOR WAS GLAD TO BECOME ACQUAINTED WITH PRESIDENT ROOSEVELT'S PERSONAL VIEWPOINT AND ATTITUDE TOWARDS THESE IMPORTANT QUESTIONS.

THE CHANCELLOR LISTENED TO MY PRESENTATION OF THE PRESIDENT'S PERSONAL FEELINGS AND ATTITUDE AS EXPRESSED IN THE FOREGOING OUTLINE WITHOUT INTERRUPTION TO MAKE COMMENT RELATING PECULIARLY TO ANY ONE OF THE POINTS IN ITSELF. HE SEEMED TO PREFER TO WAIT AND THEN DISCOURSE ON THE VARIOUS POINTS FROM HIS OWN GENERAL STANDPOINT AFTER MY PRESENTATION OF THE OUTLINE OF THE FOREGOING POINTS AND AFTER THE CHANCELLOR HAD HAD THE

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DEC 11 1944
5200.9 (9/27/58)

PAGE 12

TEXT

OPPORTUNITY TO EXAMINE CRITICALLY AND ATTENTIVELY THE DEFINITIONS TRANSLATED INTO GERMAN OF THE PRESIDENT'S TERM MODERATOR HE THEN RESPONDED GENERALLY AS FOLLOWS:BELOW.

HIS REMARKS WERE TAKEN DOWN IN SHORTHAND BY THE ATTENDANT PRESENT WHO LATER SUMMARIZED THEM AND SUBMITTED THE SUMMARY TO THE CHANCELLOR FOR APPROVAL. THIS APPROVED SUMMARY WHICH COINCIDED WITH MY RECOLLECTION AND NOTES OF THE MEETING WAS TRANSLATED INTO ENGLISH AND I WAS GIVEN THE OPPORTUNITY TO COPY THIS TRANSLATION VERBATIM. I ALSO HAD THE OPPORTUNITY OF VERIFYING THE NOTES WHICH HAD BEEN MADE OF MY OWN PRESENTATION OF THE PRESIDENT'S POINT OF VIEW.

THE CHANCELLOR BEGAN HIS REMARKS BY STATING THAT HE HAD ALWAYS BEEN OF THE OPINION THAT THE CIRCUMSTANCES UNDER WHICH PRESIDENT ROOSEVELT TOOK OFFICE HAD CONFRONTED HIM WITH VERY GREAT AND DIFFICULT TASKS THE SOLUTION OF WHICH THE PRESIDENT HAD UNDERTAKEN IN A BROAD AND CONSTRUCTIVE MANNER. THE CHANCEL

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LOR FELT THAT FROM TIME TO TIME UNFORTUNATE RUMORS AND PIECES OF PROPAGANDA HAD DISTURBED BADLY THE RELATIONS BETWEEN OUR TWO COUNTRIES. THE CHANCELLOR PARTICULARLY DEEPLY REGRETTED THAT A FALSE RUMOR HAD BEEN CIRCULATED AFTER A CONVERSATION HE HAD HAD A FEW YEARS AGO WITH AN AMERICAN OF GERMAN DESCENT. THIS RUMOR HE CITED AS TYPICAL OF THE RUMORS, PROPAGANDA, AND LIES WHICH CREATE UNFORTUNATE MISUNDERSTANDINGS. THE RUMOR WAS SUPPOSED TO HAVE BEEN BASED ON THE CONVERSATION WITH THE GERMAN-AMERICAN REFERRED TO ABOVE. THE RUMOR IT SEEMS WAS TO THE EFFECT THAT ON THE OCCASION OF PRESIDENT ROOSEVELT'S SECOND ELECTION THE CHANCELLOR WAS SAID TO HAVE EXPRESSED THE OPINION THAT HE PERSONALLY CONSIDERED THE REELECTION OF THE PRESIDENT TO HAVE BEEN A MISTAKE. THE RUMOR WAS A LIE ON TWO GROUNDS FIRST THE CHANCELLOR HAD SAID NO SUCH THING AND SECOND THE CHANCELLOR HAS HIS OWN IMPORTANT PROBLEMS TO SOLVE IN GERMANY WHICH ABSORB SO MUCH OF HIS TIME THAT ORDINARILY THE PROBLEMS OF AMERICA ARE TOO FAR AWAY FROM HIS OWN MIND FOR HIM TO MAKE

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TEXT

COMMENT ON THEM. THE CHANCELLOR HAD BEEN FURIOUS WHEN HE HEARD OF THIS LIE BECAUSE HE HAD NEVER SAID THAT THE REELECTION OF PRESIDENT ROOSEVELT WAS A MISTAKE. ON THE CONTRARY HE HAD ALWAYS BEEN OF THE OPINION THAT NOBODY ELSE BUT PRESIDENT ROOSEVELT WOULD BE ABLE TO COMPLETE THE IMPORTANT TASKS WHICH THE PRESIDENT HAD BEGUN DURING HIS FIRST TERM.

REFERRING TO THE WAR THE CHANCELLOR SAID THAT THE PRESENT WAR WAS A CURIOUS ONE IN THAT GERMANY HAS DECLARED WAR ON NOBODY BUT THAT ENGLAND AND FRANCE HAD DECLARED WAR ON GERMANY. GERMANY HAS NO WAR AIMS OTHER THAN TO OPOSE THE WAR AIMS OF HER OWN DESTRUCTION, AS PROCLAIMED BY ENGLAND AND FRANCE THESE COUNTRIES, THE CHANCELLOR SAID, WANT TO DISMEMBER GERMANY TO INTERFERE WITH HER OWN INTERNAL SYSTEM OF GOVERNMENT AND TO MAKE HER SUBJECT TO A FRANCO-BRITISH HEGEMONY. THESE ARE THE WAR AIMS, THE CHANCELLOR CONTINUED, WHICH HAVE BEEN GIVEN WIDE PUBLICITY IN THE WESTERN COUNTRIES, BUT ENGLAND AND FRANCE LACK

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PAGE 15.

TEXT
THE NECESSARY POWER TO REALIZE THESE WAR AIMS. THEY HAVE FORGOTTEN THAT THERE IS A TREMENDOUS DIFFERENCE BETWEEN 1914-18 AND TODAY. IN THE LAST WAR GERMANY HAD TO FIGHT ALONE AGAINST THE WHOLE WORLD. AT THAT TIME JAPAN RUSSIA AND ITALY WERE ON THE OTHER SIDE WHILE TODAY THEY ARE SYMPATHETIC WITH GERMANY. AS FAR AS MANPOWER IS CONCERNED GERMANY IS TODAY AS STRONG AS ENGLAND AND FRANCE TOGETHER. FROM A MILITARY POINT OF VIEW GERMANY HAS WAR ON ONLY ONE FRONT WHILE HER REAR IS SECURE AND FREE. GERMANY IS WELL PREPARED FOR THE FIGHT AND IS FULLY DETERMINED NOT TO REST UNTIL HER SECURITY IS FULLY SAFEGUARDED, NOT ONLY FOR THE PRESENT BUT ALSO FOR THE FUTURE. GERMANY DOES NOT WANT TO HAVE TAKE UP ARMS EVERY TWENTY YEARS. THE CHANCELLOR SAID THAT THE WHOLE GERMAN PEOPLE IS INSPIRED BY THE SAME DETERMINATION. IT IS FUTILE FOR HER ENEMIES TO HOPE FOR DISSENSION FROM WITHIN THE GERMAN NATION. THE GERMAN REICH OF TODAY HAS ITS ROOTS DEEP IN THE NATIONAL STRUCTURE, WHEREAS THE GERMAN MONARCHY IN THE LAST WAR HAD NO SUCH ROOTS IN THE MASSES OF THE PEOPLE. IN SPITE OF

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THIS LACK OF A BROAD, POPULAR ^{TEXT} FOUNDATION GERMANY FOUGHT AGAINST
OVERWHELMING ODDS FOR FOUR YEARS. SHE CAN NOW LOOK WITH ALL THE
MORE CONFIDENCE TO THE FUTURE IN VIEW OF THE MANY CHANGES WHICH
HAVE OCCURRED IN THE SITUATION ALL TO HER ADVANTAGE.

THE CHANCELLOR THEN TURNED TO ECONOMIC QUESTIONS. HE SAID
THAT GERMANY REGARDED IT AS INADMISSIBLE THAT TWO COUNTRIES LIKE
ENGLAND AND FRANCE SHOULD ENDEAVOR TO RULE THE WHOLE WORLD BY
MEANS OF THEIR EMPIRES AND TO RESERVE TO THEIR EXCLUSIVE USE
THE WHOLE OF THE ECONOMIC RESOURCES OF THE WORLD. HE SAID FURTHER
THAT FOR GERMANY'S ECONOMIC SECURITY WITH RESPECT TO THE
IMPORTATION OF NECESSARY FOODSTUFFS AND RAW MATERIALS IT IS IM-
PERATIVE THAT SHE GET OUT OF THE POSITION WHERE ENGLAND BY ONE
MEANS OR ANOTHER CAN TAKE STEPS EVERY TEN YEARS OR SO TO THROTTLE
OR IMPEDE THIS FLOW OF ESSENTIAL FOODSTUFFS AND NECESSARY MATER-
IALS AND GOODS REFERRING IN THIS CONNECTION TO THE QUESTION OF
COLONIES THE CHANCELLOR SAID THAT THE GERMAN COLONIES HAD BEEN
STOLEN FROM THEM BY THE ENGLISH AND FRENCH IN CONTRADICTION TO

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TEXT

ASSURANCES GIVEN TO GERMANY BY PRESIDENT WILSON THESE COLONIES
 WERE OF NO VITAL IMPORTANCE TO FRANCE AND ENGLAND BUT THEY
 CONSTITUTE A VITAL NECESSITY TO GERMANY FOR THESE REASONS THE
 COLONIES MUST BE RETURNED TO GERMANY & REGARDING THE COMPARATIVE
 DENSITY OF POPULATION IN GERMANY AND THE UNITED STATES THE
 CHANCELLOR SAID THAT GERMANY MUST NECESSARILY PRODUCE TEN TIMES
 AS MUCH PER SQUARE KILOMETER OF GROUND AS THE UNITED STATES
 BECAUSE THERE ARE TEN TIMES AS MANY INHABITANTS PER SQUARE
 KILOMETER IN GERMANY AS IN THE UNITED STATES FURTHERMORE GERMANY
 CANNOT BUY HER NECESSARY IMPORTS IN HER OWN CURRENCY IN ORDER TO
 RECEIVE HER ESSENTIAL IMPORTS GERMANY MUST EXPORT FOR EXAMPLE
 FOR EVERY POUND OF COFFEE IMPORTED THERE MUST BE A CORRESPONDING
 QUANTITY OF GOODS EXPORTED A COUNTRY WHICH IS FORCED TO LIVE
 UNDER SUCH CONDITIONS MUST NECESSARILY FEEL THAT THE DICTATORSHIP
 WHICH COUNTRIES LIKE ENGLAND AND FRANCE EXERCISE OVER THE SEVEN

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TEXT

SEAS IN UNENDURABLE. THE EFFECTS OF SUCH DICTATORSHIP HAVE ONLY RECENTLY BEEN GIVEN FURTHER EXPRESSION THROUGH THE ACTION TAKEN BY GREAT BRITAIN IN STOPPING MARITIME TRANSPORT OF GERMAN COAL TO ITALY. WITH REGARD TO THE MILITARY SITUATION THE CHANCELLOR SAID THAT IN THE WORLD WAR THERE WERE 12 GERMAN DIVISIONS ON THE EAST FRONT AND 117 ON THE WEST FRONT. WHILE AT PRESENT THERE ARE 6 DIVISIONS ON THE WEST FRONT ALONE. SPEAKING AS A SOLDIER IN THE GREAT WAR HE SAID THAT HE HAD LEARNED HOW TO EVALUATE HIS OPPONENTS AND HE KNOWS THEY ARE NOT SUPERIOR TO THE GERMANS. GERMANY HAS NO WAR CRIME -- ONLY AGGRESSORS HAVE WAR CRIMES AND IN THE PRESENT WAR THE AGGRESSORS ARE THOSE WHO DECLARED WAR, NAMELY ENGLAND AND FRANCE. SHOULD IT BE SAID THAT GERMANY HAD ATTACKED POLAND, ONE MUST REMEMBER THAT ACTION WAS TAKEN BY GERMANY AGAINST POLAND IN ORDER TO PUT AN END TO POLISH TERRORISM AGAINST THE GERMAN MINORITIES IN THAT COUNTRY. THERE WOULD NEVER HAVE BEEN A GERMAN-POLISH WAR IF ENGLAND HAD NOT INTERFERED IN THE POLISH

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TEXT

AFFAIR WHICH WAS NONE OF ENGLAND'S BUSINESS. THE CHANCELLOR SAID
 THAT THE PRESENT WAR CAN ONLY BE BROUGHT TO AN END IF ENGLAND
 AND FRANCE WILL ABANDON THEIR WAR AIMS. HE WOULD BE VERY GLAD TO
 LEAVE IT TO PRESIDENT ROOSEVELT HIMSELF TO FIND OUT WHETHER THEY
 WERE READY TO DO SO. GERMANY WILL NOT MAKE PEACE UNLESS AND UNTIL
 SHE RECEIVES ADEQUATE ASSURANCES OF SECURITY FOR THE FUTURE
 BECAUSE IN THE PAST 20 YEARS FRANCE HAS TOO OFTEN DECLARED WAR
 ON GERMANY. IF ENGLAND AND FRANCE BUT PARTICULARLY ENGLAND FULLY
 REALIZED TODAY THAT THEY COULD NOT HOPE FOR ASSISTANCE FROM OTHER
 COUNTRIES, AS FOR INSTANCE THE UNITED STATES, THEY WOULD MAKE PEACE
 TOMORROW. ENGLAND CONSIDERS THE WAR A KIND OF SPORT IN WHICH THE
 OTHERS MUST DO THE FIGHTING: SHE HAD FIRST ASKED THE RUSSIANS TO
 HELP HER, AND WAS NOW BUSY TRYING TO GET ASSISTANCE FROM NORWAY
 AND SWEDEN. IN CONCLUDING, AND SUMMARIZING HIS ATTITUDE ON THIS
 PRESENT PROBLEM OF WAR OR PEACE, THE CHANCELLOR EXPRESSED HIS
 BELIEF THAT HE WOULD BE ABLE TO REACH AN AGREEMENT WITH

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TEXT

PRESIDENT ROOSEVELT IN TEN MINUTES, ON THE FOLLOWING BASIS:
 FIRST, GERMANY IS READY TO RESPECT ENGLAND AS A GREAT WORLD
 POWER; IN LIKE MANNER SHE IS READY TO RESPECT FRANCE AS A
 GREAT POWER- BUT GERMANY DEMANDS IN RETURN THAT SHE ALSO BE
 RESPECTED AS A WORLD POWER. SECOND, IF THESE WORLD POWERS
 RESPECT ONE ANOTHER THEY CAN MAKE PEACE. THIRD, ONCE PEACE IS
 ESTABLISHED, ARMAMENTS CAN BE REMARKABLY REDUCED, AND THE LABOR
 THUS RELEASED CAN BE EMPLOYED FOR MORE PRODUCTIVE PURPOSES.
 FURTHER, BY MEANS OF A BETTER ORGANIZATION OF INTERNATIONAL TRADE
 IN HARMONY WITH THE SUGGESTIONS MADE BY PRESIDENT ROOSEVELT, THIS
 LABOR CAN BE READILY ABSORBED BY THE RESULTING IMPROVEMENT IN
 OVERALL ECONOMIC CONDITIONS. MEANTIME, UNFORTUNATELY FOR THE
 INTERESTS OF PEACE, ENGLAND REFUSES TO ADMIT THAT GERMANY HERSELF
 IS ALSO A REALITY AS A WORLD POWER.

THIS CONCLUDES THE OUTLINE OF THE DISCUSSION WITH CHANCELLOR
 HITLER.

YOURS RESPECTFULLY,

JAMES D. MOONEY

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 Art. 75 (4) Navy Regulations.)

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PSF Info: Germany

THE WHITE HOUSE
WASHINGTON

3-5-41

MEMORANDUM FOR THE PRESIDENT:

Breck Long brought this over by hand and asked me to give it to you confidentially.

He says you will recall the reference on the second page of Secretary Hull's memorandum "the same steps of procedure" was referring it to the British.

E.M.W.
E.M.W.

a24n01

Safe: Germany

DEPARTMENT OF STATE
WASHINGTON

March 5, 1941.

My dear Mr. President:

The attached memorandum is copy #1 of the translation of the second part of the memorandum about Germany, the first part of which you received last week. This is just as confidential, and if you should see fit to hand it to other persons, I trust that you will impress upon them that our obligation in connection with its acquisition requires absolute secrecy in connection with it, including no reference to it whatsoever in public and no allusion to or quotation from its text.

This section is the statistical review of the finances of the German Government. It shows that the grand deficit of 1940 is 102.5 Reichsmarks. Pages 2 and 3 of the memorandum attached contain the comment of the author upon the financial consequences of their fiscal policy, which is a succinct, critical comment upon the facts

The President,

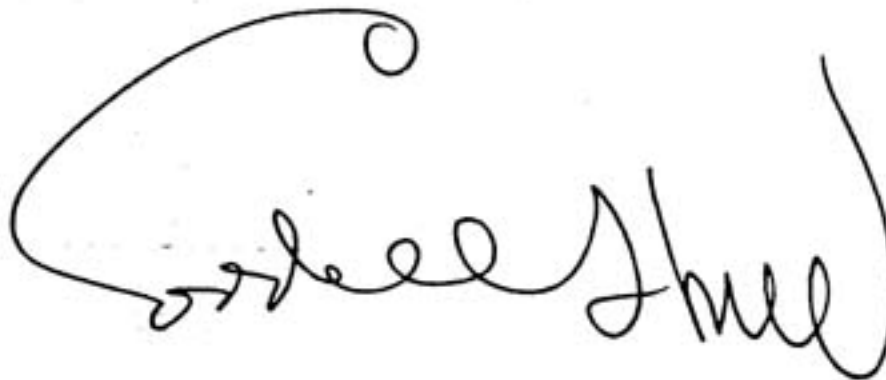
The White House.

a240 21

facts adduced in the pages following in the memorandum, and you may be interested to read particularly Section B and Section C on the pages indicated.

It is assumed you will desire me to take the same steps of procedure in connection with this which you did in connection with the first section, and I will be glad to receive your instructions in regard to it.

Faithfully yours,

A large, stylized handwritten signature in cursive script, appearing to read "George S. Mueller". The signature is written in dark ink and is positioned below the typed name "George S. Mueller".

Enclosure:

Memorandum #1.

a24082

~~Secret~~

Life: Germany #1

Berlin, January 24, 1941. We.

Memorandum I.

War Finances

A.

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Preliminary remarks:

On the basis of the official tables and statements, a financial and statistical conspectus of the German financial situation is submitted.

The budget figures for the fiscal years 1933-1937 and analyses thereof were set aside; only the most important figures from this period were taken.

The following report gives:

I. For the Reich:

1. Results of calculations of the budgets for 1938 and 1939;
2. Analysis of the financial requirements for 1940 and covering therefor on the basis of the provisional figures.

II. For States and Communes (Gemeinden) the total financial needs for 1938, 1939 and 1940.

III. The financial needs for the public administration for 1938-1940.

IV. The budget for the Reich Office for Unemployment Insurance etc.

V. The financial needs for industrial insurance.

VI. The financial needs of the auxiliary fiscal corporations.

Following this (Chapter VII), the financial figures as a whole are compared with the national or total social output and the official statements of the Reich Government on these points are given. These statements serve as proof for the correctness

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correctness and capacity of the conduct of finances by the responsible Ministers of the Reich.

The material given at the close in the tabulations contains the various figures set up parallel to the statements under Chapters I - VII.

B.

Official data on the total public debt of the Reich, the States and the Communes, as well as other public legal corporative bodies, have not up to this time been assembled and submitted by any Ministry of the Reich.

The official debt figures given, the short-term and long-term loans, non-interest-bearing Treasury notes, etc., show as total a debt of 66.2 billion RM. as of December 31, 1939, and 76.5 billion RM. as of December 31, 1940. In addition to these published official government debts, there are the unofficial secret government debts of all kinds, which are to be calculated at at least 16 to 18 billion RM as of December 31, 1940. There are to be added the open book debts of the government and its instrumentalities, in particular arising out of the deliveries of war supplies to the army administrations, for which the suppliers have not been paid yet. These figures might be between three and four billions. Thus the outstanding secret debt amounts to at least nineteen or twenty billions on the whole.

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There

There remains, lastly, to list the unpublished debt of the subsidiary government, the National Socialist German Labor Party (Reich treasury). These debt figures amount to several billions; they would probably lie between three and four billions.

C.

The estimates of Germany's financial position in the earlier memorandums of the writer, for example, those of the early part of October 1939 and the middle of February 1940, are far exceeded by the figures in the present statement. Thus for example the following estimate was given in the memorandum of the middle of February 1940:

	1939	1940
Estimate in memorandum	50 billions	64 billions
Actual budget figures	66.2 billions	74 billions.

In the same way, the figures on the status of indebtedness ought in reality to reach the minimum amount.

The conclusions from the constantly rising expenditures in the budget and the debts of all kinds are evident, both with respect to capital as a whole in private industry and also with respect to property in particular in the case of every private individual. The bases for balances in private industry are shaken; savings, bank deposits, claims under insurance

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insurance policies, industrial insurance and other annuities and the like are undermined. Financial and political judgment is given in full detail in the earlier memorandums.

In case the present financial situation, 1939-41, should be placed in comparison with the war financing during the World War of 1914-1918, the reader is referred to the publication of the Carnegie Foundation for International Peace (German Series v. Lodz, "German Government Financial Management in the War", 1927 edition) for the figures for war financing.

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The

The public budget in the fiscal years
1938, 1939 and 1940.

I. Reich Budget

a. The figures for the budget years
1938 and 1939 and their financial
and statistical evaluation.

The Reich budget was closed in the fiscal year 1938 with total expenditures of 28.7 billion RM and total receipts of 25.7 billion RM, so that there was a deficit of approximately 3 billion RM. Of the total expenditures, 17.2 billion RM went for the budget of the armed forces and 11.5 RM for the civil budget. In this division, the war allotments and the pension burdens of the new army are assigned to the civil budget.

In the fiscal year 1939 there was an extraordinary budget in addition to the ordinary Reich budget. The expenditures under both budgets together amounted to 48.9 billion RM. Against them were budget revenues of 36.4 billion RM, so that for the fiscal year 1939 the deficit amounted to 12.5 billion RM. Of the total expenditures, 20 billion RM were assigned to the civil budget (including war allotments and the pension burdens of the new army), and 28.9 RM to the budget for the armed forces. There are not given in the latter figure the expenditures outside of the budget that were financed by armed forces bonds, which were, however, insignificant in comparison with the total

amount.

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amount. It is stated that there are at present about 150 million RM worth of armed forces bonds in circulation.

From the figures given, not only are the expenditures for the armed forces considerably higher than in the preceding year, which is explained simply by the breaking out of the war, but expenditures for the civil budget have risen decidedly. But in this connection it should be borne in mind that the major portion of this increase is explained merely by a procedure in bookkeeping. That is, in the budget year 1938, expenditures amounting to 2.7 billion RM were paid by treasury notes which did not have to be redeemed until in the budget year 1939. Just as with the credit financing of the budget years 1933 to 1937 (bonds for provision of employment and "Mefowe" bonds), these expenditures, paid for with jewelry, etc. turned in, were not put on the books for the budget until they were due. For that reason, a sum of 2.7 billion RM was deducted from the civil expenditures in the fiscal year 1938, but a like amount was added to the civil expenditures for the fiscal year 1939. So in reality in the fiscal year 1938 the expenditures for the civil budget were 2.7 billion RM higher and in the fiscal year 1939, with 17.3 billion RM, less by the same amount than is to be assumed from the closing figures for the two years (see Table I).

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Nor

Nor are these sums for the civil expenditures actually made to be used for a financial and statistical comparison without further consideration. That is, besides the real civil administrative expenditures, they include a series of figures that are to be considered only as entries appearing under various headings. This is true in particular of those transfers to States, Communes and combinations of Communes which are put on the books in the Reich budget as expenditures. To be sure, the great majority of the tax transfers are immediately deducted from the tax receipts. But a small portion of the revenue turned over to the States from Reich taxes is treated as expenditure. Under this come transfers to the Saar Territory and, since 1938, to the new Reich areas which could not be embodied at once in the transfer system of the old Reich. Therefore these sums entered on the books as expenditures have played a considerable part, especially in the fiscal year 1939. They amount to 805.6 million RM, as compared with 355.5 million RM in the fiscal year 1938. For a consideration of finances and statistics that is to cover the whole official budget, these amounts which were transferred must also be deducted from the tax revenue of the Reich in order to avoid duplication, as they are in the long run only incorporated into the budget of and used by the regional units subordinate to

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the Reich. In that case, of course, they then drop out also as items of expenditure of the Reich (see Table 2).

Just as with the tax transfers entered under the civil expenditures of the Reich, in a financial and statistical investigation the expenditures of a profitable nature that are in the Reich budget must be deducted from the civil expenditures and adjusted with the corresponding income items. While some of the Reich revenue derived from trading capital, such as, for example, the carrying of the Reich mail or a share in the net profit of the Reichsbank appear in the budget of the Reich only as net yield (principle of the net budget), other, namely the receipts from minting and from the "other trading capital" are entered as gross receipts, against which are placed the corresponding expenditures. In the fiscal year 1938 there were 79.9 million RM so entered from minting and 511.4 million RM from "other trading capital". In the fiscal year 1939 the corresponding sums amounted to 27.8 million RM from minting and 662.3 million RM from "other trading capital". These items of expenditure are entirely different from the expenditures of the civil administrative authorities. They are, no different from the productive outlays of private enterprise, national costs, while the real administrative expenditure of a public character is a binding or a consumption of the national

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income.

income. It is therefore customary in financial and statistical discussions to take into consideration only the public trading capital in general with its net yield. Under the "other trading capital", which primarily embraces the holdings of the Reich in industrial and banking undertakings, as well as the forests and public lands belonging to the Reich, the productive outlays in connection with the investments for the Four - Year Plan were greater in the fiscal years 1938 and 1939 than the corresponding revenues. So there is here a debit item for net yield in both years.

Also in the case of the other general means of covering, in the Reich budget expenditures stand opposite gains entered as gross profits; they are different in nature from the expenditures of the civil administrative authorities. Like the expenditures in connection with the trading capital, these disbursements have to a certain extent an internal connection with the items of income, so that in a practical way they are likewise set off against them, in order that the real administrative expenditures of the Reich may be worked out. In the fiscal year 1938 there was here an item of expenditures of 27.3 million RM; in the fiscal year 1939 the corresponding sum amounted to 198 million RM (see Table 4).

If we take away from the civil expenditures of the Reich actually made in the fiscal year 1938 and 1939 the amounts mentioned, for the tax transfers put on the books as outlays,
as well

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as well as the expenditures in connection with trading capital and the other general means of covering, we get the expenditures of the civil administrative authorities, that is, the civil administrative expenditures of the Reich in the narrower and real sense. These amounted in the fiscal year 1938 to 13.2 billion RM and in the fiscal year 1939 to 15.6 billion RM. The increase is explained to some extent by the increase in expenditures for personnel in connection with the extension of territory and the elimination of part of the salary reductions for officials, as of July 1939. But the civil expenditures of the Reich have increased decidedly, chiefly through the augmentation of aid to families since the outbreak of the war. As early as the fiscal year 1939 this amounted to 1.5 billion RM. Finally, with the further growth of the indebtedness of the Reich, the expenditures for service on the debt have risen considerably. But a certain rise is to be observed in the other civil administrative expenditures also (see Table 3).

The expenditures of the civil administrative authorities and the expenditures for the armed forces combined give the corrected sum for the administrative expenditures of the Reich. In the fiscal year 1938 it amounted to 30.4 billion RM, and in the fiscal year 1939 to 44.5 billion RM. In

order

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order to determine the net fiscal needs of the Reich, we must deduct from this a small amount, that is, for the special payments of States and Communes, against which there are corresponding payments in the opposite direction, among the expenditures of the civil administrative authorities of the Reich. So both items must be balanced again. As these payments are listed as expenditures not only by the Reich but also by the States and Communes, they must in each case be deducted from the expenditures of the other organization in whose books they appear as income. In the case of the Reich, this involves amounts of 103.9 and 121.9 million RM in the fiscal years 1938 and 1939. Hence the net amount of money needed by the Reich in the fiscal year 1938 can be calculated at 30.3 billion RM, and in the fiscal year 1939 at 44.4 billion RM. This sum for expenditures, finally cleared of duplicate entries, can be compared with the correspondingly prepared expenditures of the States and Communes (as well as those of the other public organizations) and can be combined with them (see Table 6).

If we subtract from the figures for the net amount of money needed by the Reich and the administrative income and the proceeds from the budget borrowings (financial statistics combine these receipts under the heading of special means of covering), we have left the so-called

appropriation

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appropriation requirements of the Reich. These amounted to 21.7 billion RM in the fiscal year 1938 and to 36.3 billion RM in the fiscal year 1939. To cover them there were available as general budget means those receipts from taxes, earned revenue and other income remaining after deduction of the abovenamed correction items, that is, all tax transfers, productive outlays and the like from the revenue items entered in the Reich budget.

b. The estimated financial requirements of the Reich and their probable coverage in the fiscal year 1940.

In consequence of the war, the financial requirements of the Reich will be determined even more than in the preceding years by the needs of the armed forces. During the last half-year, the armed forces required on the average an expenditure of a good 3 billion RM a month. On the assumption that the war will last until the end of the fiscal year or else will determine the financing of the Reich in the main, we can therefore calculate the expenditures for the armed forces during the budget year at approximately 38 billion RM.

The expenditures of the civil administrative authorities will also rise further during the current fiscal year. Aid to families, which took 1.5 billion RM in the fiscal year 1939, including only 7 war months, ought to demand more than

twice

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twice that much in 1940, as the number of men called to the colors has greatly increased since the opening of the war. A certain increase in expenditures for personnel will also be noted, because the elimination of part of the salary cuts, starting in July 1939, will not show up except in a full budget year. With the further increase in the Reich debt, the expenditures for service on the debt will increase. The interest on the Reich debt, which took the sum of 1.95 billion RM in the fiscal year 1939, must call for more than 3 billion RM in the fiscal year 1940. The expenditures for amortization amounted during the past two fiscal years to from 1.25 to 1.30 billion RM per annum. In this connection it is to be noted, however, that only some 2/3 or 3/4 went for the amortization of loans, interest-bearing Treasury bonds and other funded debts, while the remainder was used for the payment of bond maturities from the so-called advance financing (provision of work bonds and Mafowe bonds). It remains to be seen whether in the current fiscal year an amortization of such special obligations will take place also. The amortization of loans and Treasury bonds will be undertaken to about the same extent as in the previous year. In all, the expenditure for service on debts ought to amount to from 3.9 to 4.3 billion RM. The payments to States and Communes

likewise

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likewise will probably be just as high as in the preceding year, while a certain augmentation is to be anticipated in the allotments for annuity insurance, as was the case in the preceding years. It is hard to tell to what extent the other civil administrative expenditures will change, that is, the expenditures in kind and investments, the payments to corporations and private individuals (subsidies), and the granting of loans. In the domain of payments in kind, savings will probably be possible, but on the other hand war business will demand further new investments and grants. In addition, there are the demands which result from extension of the territory of the Reich. So on the whole a further increase in expenditures ought to be counted on here also.

Taken altogether, we can probably count on expenditures for the civil administrative authorities of from 18 to 19 billion RM in the fiscal year 1940, as compared to 15.6 billion RM in the fiscal year 1939. Together with the expenditures for the armed forces, estimated at approximately 38 billion RM, we get the amount of money needed by the Reich as some 56 to 57 billion RM. To meet this need, there are available first, as special means of covering, the administrative revenue and proceeds from the budget borrowing. From previous observations, the placing of medium and long-term

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long-term obligations of the Reich might be considerably augmented as compared with the preceding year. In the first third of the current fiscal year, 4.2 billion RM was invested in loans and interest-bearing Treasury bonds, in addition to which there was an increase of 75 million RM in the mortgage bank (Rentenbank) loan granted to the Reich since the beginning of the war. Hence we may assume that in the final report on the 1940 fiscal year some 13 billion RM will appear as the borrowing under the budget. In the fiscal year 1938 the administrative revenue brought in 1.1 billion and in the fiscal year 1939 1.8 billion RM. In addition, there were in each of the two fiscal years fully 100 million RM in special payments of States and Communes. So in the fiscal year 1940 there should be available about 15 billion RM, in all, as special means of covering, so that the probable amount needed for appropriations by the Reich is to be calculated at 41 to 42 billion RM.

The general means of covering of the Reich budget at the end of March 1940 were estimated at 24.7 billion RM for the fiscal year 1940 by the Reich Finance Ministry in an estimate that is, on the whole, probably too cautious.. This amount was made up as follows (in millions of RM):

Property and transfer taxes	14,366
Customs and consumption taxes	4,654
Special war taxes	<u>2,680</u>
Tax and customs revenue combined	21,700
War contribution of States and Communes	1,500
Other general budget revenue	<u>1,500</u>
General means of covering, altogether	24,700.
In connection	

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In connection with these figures it is to be noted that the tax and customs revenue is the gross amount collected, and hence that the tax transfers and the tax coupons (Steuerergutscheine) have not yet been deducted from them. There are also among the "other general budget revenue", that is, among the earned revenue and other general means of covering, as in the two preceding years, some gross amounts, against which there are corresponding debit entries. These expenditures must first be set off against the receipts. The contribution of the German Railways, an item of about 200 million RM, which in this study is calculated among the tax revenues, is contained in the preliminary estimate of the Reich Minister of Finance in the "other general budget revenue". Hence, including the Reich Railways contribution, the above preliminary estimate of the revenue from taxes and customs amounts to about 21.9 billion RM, while that for the other general budget revenue amounts to about 1.3 billion RM without this contribution.

For the tax transfers to the States and Communes, a diminution of about 100 million RM for the fiscal year 1940 is to be counted on, corresponding to the estimated return of the total receipts in Reich taxes and customs. In addition, the diminution in the transfers to States based on the Second Law on Financial Measures in the Domain of

Policing

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Policing will probably be 40 million RM greater. Besides, the transfers to the Austrian and Sudeten German territories and Communes might be 160 million RM lower in the fiscal year 1940 than in the preceding year, in consequence of a change in the distribution of duties and burdens (transfer of the elementary schools to the Reich). Lastly, the remainder of the government of the State of Austria, to which 171.7 million RM more had to be transferred in the budget year 1939 (see Table 2, Note 3), will mostly disappear in the current budget year. On the other hand, the transfers to the new Reich Territories of Danzig-West Prussia and Wartheland and those to Prussia for the newly incorporated eastern regions will be not a little higher than in the past fiscal year, since they were not granted until the second half thereof. In all, the transfers to the States, Reich Territories, associations of Communes and Communes, which amounted to 2.8 billion RM in the balance sheet for 1939, the remainder of the government of the State of Austria being included, ought to be at least 300 million RM lower in the fiscal year 1940.

The transfer to be made from the funds from the income taxes to the Special Fund for Marriage Loans and Bonuses for Children is set at 250 million RM in the fiscal year 1940, as in the preceding year. In the case of the grant

for

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for the Reich Auto Road Fund, made from the transfer, shipping and petroleum taxes and from customs duties, a diminution is to be expected (it was 246 million RM in the fiscal year 1939).

A perceptible diminution in the portion of the revenue from taxes remaining to the Reich will take place in the fiscal year 1940, through the presentation of tax coupons. While the NF I tax coupons returning to the Reich financial offices in the fiscal year 1939 were subtracted from the gross proceeds of the tax coupons issued, they must in the fiscal year 1940 be calculated against the tax revenue, as was done previously with the tax coupons of old type, since no new issue will be made. The circulation of NF I tax coupons reached its maximum with 2,429 million RM at the end of November 1939. It has diminished since that time:

by 164.1 million RM in December 1939	
" 172.6 " " January 1940	
" 177.7 " " February 1940	
" 319 " " March 1940	
" 157.6 " " April 1940	
" 95.9 " " May 1940	
" 107.9 " " June 1940	
" 27.8 " " July 1940	

So in the first four months of the current fiscal year 389.2 million RM in NF I tax coupons had already flowed back into the Reich financial offices. It is to be noted, to be sure, that the inward flow, which increased from month to month up to March 1940, has since then unmistakably been receding. This is explained merely by the fact that the supply from which the return flow could take place is constantly diminishing. But it is

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to

to be assumed, first of all, that the great majority of the NF I tax coupons still in circulation at present are in the hands of business men who wish to take advantage of the freedom from depreciation connected with them. These tax coupons might remain in the possession of their holders for a still longer time, so that for the present a further diminution in the return flow is to be counted on. In the final statement of the fiscal year 1940, the utilization of tax coupons could hardly exceed the amount of 600 million RM.

The portion of the taxation and customs revenue of the Reich which will be claimed for the honoring of tax coupons, and for transfers to the States, Reich Territories, Communes and associations of Communes, the remainder of the government of the State of Austria, the Reich Auto Road Fund and the Special Fund for Marriage Loans and Bonuses for children will in the fiscal year 1940 reach a total amount of about 3.5 billion RM. As the Reich taxes and customs (including the Reich Railways contribution) would, according to the preliminary estimate of the Reich Finance Ministry, bring in scarcely 22 billion RM, the available cash receipts from Reich taxes and customs duties, that is, the so-called Reich's share of the tax and customs duties revenue, would be calculated

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calculated at some 18 1/2 billion RM. If we consider that the preliminary estimate of the Reich Finance Ministry, mentioned above, was on the whole probably worded too cautiously (in the case of war taxes in particular the estimate ought to be considerably surpassed by the actual collections), the amount going to the Reich may be rounded off at 19 billion RM.

In comparison with the preliminary estimate of the Reich Finance Ministry of late in March 1940, there is a decidedly more optimistic estimate, which Deputy Minister Reinhardt recently made public. According to it, we may expect, on the basis of the payments received so far, that the Reich taxes and customs duties will give a yield of as much as some 25 billion RM. With such a favorable development of receipts from taxation and customs duties, the transfers would probably be somewhat higher, to be sure. According to this estimate, the Reich's share of the receipts from taxes and customs duties would be calculated at about 21 billion RM. At any rate, we may assume that it will remain within the bounds of the two estimates, that between 19 and 21 billion RM.

The war levy of the States and Communes, estimated by the Reich Ministry of Finance at the end of March at

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1.5

fiscal year 1940 would accordingly be calculated at some 19 to 20 billion RM. The evolution of the floating debt so far corresponds to these figures. The financial picture of the Reich (according to the system of financial statistics) can now be put together from the individual estimates, as follows:

The Amount of Money Needed by the Reich
and its Covering in the Fiscal Year
1940 (in billions of RM).

Expenditures of the civil administrative authorities		18 to 19
Expenditures of the armed forces	about	38
Total amount needed		56 to 57
Covered by special means of covering (special payments of the States and Communes, administrative receipts and money borrowed)	about	15
Balance: amount actually needed by the Reich		41 to 42
Covered by general means of coverage:		
a. Reich's share of the taxes and customs revenue*		19 to 21
b. War contribution of the States and Communes	about	1.4
c. Earned revenue and other general means of covering (excess of receipts over expenditures)	about	0.6
General means of covering taken altogether (a - c)		21 to 23
Deficit		19 to 20

*Taxation and customs revenue of the Reich, including Reich Railways contribution, less settlement of tax coupons and less all transfers of taxes entered on the debit side of the Reich budget.

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:II. The

and the Sudetenland, the net amount of cash needed for the Reich Territories, associations of Communes and Communes for the fiscal years 1939 was found by estimate to be 1,094 million RM. Hence we get a corrected total for the States and Communes of the Great German Empire (according to the territorial status before the outbreak of the present war), of 10.29 billion RM as the amount of money needed in the fiscal year 1939. In this total there is lacking the remainder of the government of Austria, directly under control of the Reich, to which 171.7 million RM was given in the way of transfers in the fiscal 1939 (see Table 2, Note 3). Besides, there are of course left out the new Reich Territories and Reich Districts of the East, which were not incorporated until late in 1939.

The rough estimate for the fiscal year 1940, in which a distribution by States and Communes has not yet been possible, refers to the same territory and the same mission as the figures for the fiscal year 1939. From it there are still absent the Reich Territories of Danzig-West Prussia and Wartheland, the former Polish territories assigned to Prussia and the remainder of the administration of the States of Austria, which could certainly have demanded only scanty means in the fiscal year 1940. The net amount

a 24 p 25 of

of money needed, estimated at 9,475 million RM, is taken to be less by a good 800 million RM than in the fiscal year 1939, which is explained by a further curtailing of the means of covering. In this connection it should be remembered firstly that there will be a certain falling off in the collection of taxes and secondly that the war contribution levy is now to be collected for a full fiscal year.

If, in the receipts which serve to cover the financial needs of the States and Communes, the amounts for the Reich tax transfers do not coincide with the sums which were shown for the Reich as transfers made, attention should be called once more, in this connection, to the various delimitations of territory and tasks. In the financial picture of the States and Communes (Table 7) there are omitted, as already mentioned, the transfers made by the Reich to the State of Austria or its remaining administration, as well as the transfers to the Reich territories formerly belonging to Poland and the Free States of Danzig. But certain deviations occur elsewhere. They are mostly to be explained from the fact that, with the Reich, figures from the books are given mostly, whereas with the Communes (and from the fiscal year 1939 on, for the States also) figures for cash are given, or estimates

based

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based on the figures for cash. In the fiscal year 1938, this was true particularly of the turning back, which was still performed then, of the corporation tax of the public supply concerns. In connection with the transfers to the Austrian and Sudeten German Reich Territories and Communes, the deviations in the fiscal year 1939 are explained in particular by the fact that a portion served as cover for previous years' deficits and accordingly were charged against the preceding year, while for the Reich the time of transfer was the deciding factor.

III. The Money Needed for the Public Administration.

If we combine the net amount of money needed for the Reich and the States and Communes, we get (after the making of certain slight corrections, which will be discussed in the following) the expenditures of the State and communal administration, cleared of duplicate entries. This total for expenditures refers, corresponding to the boundaries for the States and Communes (associations of Communes, Reich Territories), to the old Reich (including the Saar) for the fiscal year 1938 and to the territory of the Reich enlarged by Austria and the Sudetenland for the two fiscal years 1939 and 1940, while the new eastern areas are still omitted therefrom.

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In

In this connection reference is to be made once more to the remainder of the government of the State of Austria. In order to understand the whole administrative expenditure for the fiscal years 1939 and 1940 for the territory of the Reich enlarged by Austria and the Sudetenland, the amounts must be included that were used for this remaining government, which were deducted by the Reich as tax transfers but are not included in the statements of cash needed by the States, Reich Territories and Communes. As this remaining government is under the direct control of the Reich, it is probably most practical to place the sums used for it under the heading of cash needed by the Reich.

Another correction refers to the Special Fund for Marriage Loans and Bonuses for Children. This special fund is fed from Reich tax transfers, which are deducted by the Reich, and from grants from the Reich Institution for Unemployment Insurance etc. Besides, it has its own income from repayment of loans. From all of these means taken together, marriage loans and bonuses for children are granted in varying amounts. The budget of the Special Fund, which is thus set apart from and made independent of the Reich budget, closed for the last two fiscal years with receipts and expenditures of 0.6 billion RM each.

a 24 p 28 It

It is evident, however, that this involves the performance of an administrative task assigned by the Reich. The amount of money needed for the performance of this mission must therefore be included in the total of the expenditures of the public administration. In that case, of course, the grants to the Special Fund must be subtracted from the expenditures of the Reich Institution for Unemployment Insurance etc. (see Section IV), as the tax transfers made to the Special Fund have already been deducted in the case of the Reich.

Disbursements and Receipts of the Special
Fund for Marriage Loans and Bonuses for
Children in the Fiscal Years 1938 and 1939
(in millions of RM)*

	Fiscal Year	
	1938	1939
A. Disbursements		
Bonuses paid for children		
1. lump sum	67.8	31.3
2. continuous	314.1	400.8
Total	381.8	432.1
Marriage loans made	188.8	169.7
Bonuses and loans together	570.6	601.8
B. Receipts		
Reich tax transfers	200.0	250.0
From the budget of the Reich Institution for Unemployment Insurance etc.	298.6	331.1
Amortization of marriage loans	51.3	61.0
Total means of coverage	549.9	642.1

*Differences in amounts due to rounding off of figures.

a 24 p 27 Conditions

Conditions are the same regarding the expenditures for the Reich Auto Roads Fund as they are regarding the money required for the Special Fund for Marriage Loans and Bonuses for Children. The means required for them are taken in part from Reich tax transfers and in part from sums which are diverted from the budget of the Reich Institution for Unemployment Insurance etc. Besides, there was in the fiscal year 1938 a loan granted by the Reich, amounting to 608 million RM, which, in contrast to the tax transfers, is contained in the statement of money needed by the Reich. The means secured in this way amounted in the last two fiscal years to from 1 to 1.1 billion RM. In addition, the Reich Auto Roads Fund also has receipts of its own, which are however, as can be imagined, low. They are both recurring receipts, in particular from the operation of filling stations, and also lump sum receipts, as for example from the resale of parcels of land. Neglecting these receipts of its own, we can, by and large, count the abovementioned sums, taken from means of the Reich and means of Institution for Unemployment Insurance, as the money needed for the Reich Auto Roads Fund in the fiscal year (the company itself reports for the calendar year), as we can assume that the budget means made available are also used.

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The

The Means Allotted to the "Reich Auto Roads"
Company by the Reich and the Reich Institution
for Unemployment Insurance etc. in the Fiscal
Years 1938 and 1939 (in millions of RM).

	Fiscal Year	
	1938	1939
Reich tax transfers	257.6	246
Reich loan	608	
From the budget of the Reich Institution for Unemployment Insurance etc.	210	800
In all	1,075.6	1,046

If we enter these amounts in the financial picture of the public administration, they must of course remain unconsidered for the Reich and the Reich Institution for Unemployment Insurance etc. As the tax transfers have already been deducted by the Reich, only the Reich loan in the fiscal year 1938 is to be subtracted from the money needed by the Reich.

The money needed by the public administration, that is, by the Reich, the States, the Communes and associations of Communes, the Special Fund for Marriage Loans and Bonuses for Children and the Reich Auto Roads, can now be compared with the sums given below. According to the experience of the fiscal years 1938 and 1939, 0.6 billion RM has been inserted for the fiscal year 1940 as the money needed for the Special Fund, and 1 billion RM as that for the Reich Auto Roads.

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Money

Money Needed by the Public Administration
in the Fiscal Years 1938 to 1940.

	Fiscal Year		
	1938*	1939**	1940**
	Millions of RM		Billions of RM
Net amount of money needed by the Reich	30,342	44,425	56 to 57
Plus: remaining government of the State of Austria		172	
Minus: loan to the Reich Auto Roads	608		
Corrected amount of money needed by the Reich	29,734	44,597	56 to 57
Net amount of money needed by the States, Communes and associations of Com- munes (Reich Territories)	9,690	10,289	9.5
Amount of money needed by the Special Fund for Marriage Loans and Bonuses for Children	571	602	0.6
Payments to the Reich Auto Roads (from means of the Reich and of the Reich Institution for Unemploy- ment Insurance)	1,076	1,046	about 1
Total amount of money needed for the public administra- tion	41,071	56,534	67 to 68

If these public expenditures are compared with the social product, as is to be done later, the expenditures for the amortization of debts under the budget are to be eliminated from the amounts of money needed by the Reich,

*Only the old Reich (including the Saar).

**Including Austria and the Sudetenland.

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the

the States and the Communes, as they are to a greater or less extent compensated by the contracting of new debts. Only the additional means of credit claimed by the public authorities (that is, the assumption of debt, less the amortization) is a claim against the national income, while only a shifting of portions of the national wealth is involved in connection with the amounts which are paid off through amortization. In so far as the State and Communes amortized more debts than they assumed new ones during the past fiscal years, the margin of credit that was released became of practical benefit to the Reich. In the same way, account should be taken of the reserves of the Communes, accumulated during the recent fiscal years by order of the Reich, since they too have lightened the debt of the Reich either indirectly, by investment in Reich obligations, or directly, by relieving the capital market. So amortization of debts and formation of reserves by public bodies would, unless subtracted from the corrected total for their expenditures, lead to duplicate figures in the same way as would be the case with regard to non-deduction of tax transfers in the budget of the units making the transfers.

While data, or at least estimates, are available for the amortization of debts by the Reich, the States and the

Communes

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Communes (see Tables 3 and 7), it is decidedly more difficult to get the figures for the formation of reserves by the Communes. At any rate it is to be kept in mind in so doing that only a comparatively small proportion of these reserves formed is contained in the statement of funds needed by the Communes. In large part the reserves are accumulated in the communal businesses, only the comparatively small surpluses of which appear in the communal budget. Neither is the so-called "general equalization reserve" included in the communal statement of funds needed, but is deducted from the surpluses of the general cash capital. The same thing is true of the "operating reserve", which is formed from budget surpluses, that is, from surpluses of receipts over the estimate under the budget. Only the reserves of the Finance Administration (Kämmereiverwaltung) are a part of the communal budget. But it is to be borne in mind here also that certain deductions are regularly to be set off against the formation of reserves, which must be balanced against them. In the fiscal year 1938 the building up of reserves probably exceeded the withdrawals from reserves by approximately 300 million RM in the case of the Finance Administrations. In the fiscal year 1939 the building up of reserves and withdrawals

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therefore

therefore probably balanced each other, while in the fiscal year 1940 the withdrawals will undoubtedly be higher than the formation of new reserves. The deficits that are to be expected in the communal budgets in the fiscal year 1940 will probably be covered almost exclusively by the breaking up of reserves, in doing which the reserves not appearing in the budgets of the Communes will be employed as far as possible. So in our accounts only the surplus of the reserves established by the Finance Administrations in the fiscal year 1938, of approximately 300 million RM more than the withdrawals from surplus, is to be considered. Hence the amount of money needed by the public administration, less that for amortization of debts and formation of communal reserves, is composed of the following amounts:

Amount of Money Needed by the Public
Administration without Amortization
of Debts and Formation of Communal
Reserves (in billions of RM).

	Fiscal Year		
	1938*	1939**	1940**
Adjusted budget of the Reich without amortization of debts	28.5x	43.3xx	55 to 56xx
Corrected budget of the States, Communes and associations of Communes, without amortization of debt or formation of reserves	8.7	9.7	8.9

*Only the old Reich (including the Saar).

**Including Austria and the Sudetenland.

xWithout loans to the Reich Auto Roads (0.6 billion RM).

xxIncluding remaining government of the State of Austria.

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Budget

Budget of the Special Fund for Marriage Loans and Bonuses for Children	0.6	0.6	0.6
Payments to the Reich Auto Roads (from funds of the Reich and the Reich In- stitution for Unemploy- ment Insurance, etc.)	<u>1.1</u>	<u>1.0</u>	<u>about 1</u>
Amount of money needed by the public administration without amortization of debts or the formation of reserves	38.9	54.6	about 66.

IV. The Budget of the Reich Institution
for Unemployment Insurance, etc.

Among the suppliers of industrial insurance, the Institution for Unemployment Insurance alone publishes its disbursements and receipts for the fiscal year. For all other insurance offices the business year is the calendar year. If this external sign is also a reason for handling the budget of the Reich Institution for Unemployment Insurance, etc., separately, there are also pertinent reasons for doing so. In particular, the Institution for Unemployment Insurance, etc., long ago lost its insurance character, which was indicated in the meantime by a change in its name. It is nothing but a part of the Reich administration, separated from the Reich budget and provided with a budget of its own. Besides, the Institution now handles considerable surpluses, since the high unemployment of the depression years has

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been

been overcome, but the amounts contributed remain unchanged. These contributions are, by orders from the Reich, used for the most varied administrative purposes. In this way the budget of the Reich Institution is intertwined with the rest of the public budget in manifold ways. It could be designated as a second Reich budget.

As the disbursements and receipts of the Reich Institution for Unemployment Insurance, etc., are divided according to State labor districts, it is possible to outline the financial picture by areas in the same way as has been done with the rest of the public administration, that is, by restricting consideration during the fiscal year 1938 to the old Reich (including the Saar), and by changing for the fiscal years 1939 and 1940 to the territory of the Reich enlarged by Austria and the Sudetenland. Here too the newly incorporated eastern areas are left out of consideration (see Table 8).

Of the 1.7 billion RM which the Reich Institution paid out in the fiscal year 1938 for the old Reich (including the Saar), only 363.8 million RM went for unemployment relief, procurement of work and adjustment of workers' deposits or administrative costs. The other expenditures were those "general budget disbursements" which were made to other branches of the public administration, using the term in a

broad

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broad sense. Of them, we have already considered elsewhere the payments to the Reich budget, the Reich Auto Roads and the Special Fund for Marriage Loans and Bonuses for Children, so that they can be omitted here. Likewise, the small contribution of 1.8 million RM which was made to other branches of unemployment relief has probably been included already in the budget of the Communes. The transfer which the Reich Institution has made to the offices providing annuity insurance will be considered under "other industrial insurance", as the amount was used there. The same thing is true of the payment of 8.3 billion RM which the Reich Institution made in the fiscal year 1938 to the sick benefit funds for collection of contribution. It appears there as income and therefore as a means of covering the financial needs for health insurance. Thus of the total disbursements of the Reich Institution in the fiscal year 1938, in our accounting there need be considered in reality only the "special disbursements" of the Reich Institution within the old Reich, in the amount of 363.8 million RM.

In the budget year 1939 the Reich Institution paid out 2.35 billion RM for the territory of the Reich, enlarged by Austria and the Sudetenland. Of this amount, only 439 million RM went to the "special disbursements".

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In the "general budget disbursements" for the fiscal year 1939 there were again chiefly payments to the offices providing annuity insurance, to the Special Fund for Marriage Loans and Bonuses for Children, to the Reich Auto Roads and to the Reich budget. A payment of 8.6 billion RM was again made also to the sick benefit offices for collection of contributions. In addition, the Reich Institution formed a reserve of 41.7 million RM in the fiscal year 1939, at the order of the Reich, which, like the reserves formed by the Communes, was to benefit the credit of the Reich and therefore must be left out of consideration, on the same ground as the former. The same is true, besides, of the surpluses which the Reich Institution achieved in the two fiscal years 1938 and 1939 despite the high "general budget expenditures". Means for the Reich credit were to be provided by them likewise. Thus in the fiscal year 1939 only the special disbursements of the Reich Institution, in the amount of 439 million RM, which apply to the territory of the Reich extended by Austria and the Sudetenland, need be taken into account. But in doing this, it is also to be observed that from the fiscal 1939 on the administrative costs of unemployment relief are entered in the form of an administrative reimbursement for the budget of the Reich Ministry of Labor; that is, it is already contained

in the figures for the Reich budget. So in the fiscal year 1939 it involved an amount of 198.7 million RM, a small part of which, 3.1 billion (?) RM, went to the Reich Territories of Danzig-West Prussia and Wartheland. Thus 195.6 million RM more are to be deducted from the special disbursements of the Reich Institution in the fiscal year 1939, in the amount of 439 million RM. So the amount paid out by the Reich Institution for unemployment relief, procurement of work and adjustment of workers' deposits amounted to only 243.4 million RM in the fiscal year 1939, without the administrative expenses charged to the Reich budget. In the fiscal year 1940, the corresponding amount is to be set at not more than 200 million RM.

V. Industrial Insurance (without Unemployment Insurance)

Final figures for the expenditures and receipts for industrial insurance (without unemployment insurance) are not available prior to the fiscal year 1937. For 1938, provisional figures are to be had, while for 1939 only estimates could be made on the basis of partial figures. All available data refer for the present to the old Reich only. Thus the addition which had to be made, from 1939 on, for Austria and the Sudetenland, can be mentioned only as a rough approximation. Likewise only rough approximations

are

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disbursements, these grants are to be taken into consideration in connection with the Industrial Insurance Fund, as they are used by it. So they must be left out of consideration in connection with the Reich and the Reich Institution for Unemployment Relief, etc. In the case of the Reich Institution, they have already been deducted, while a corresponding deduction from the budget of the Reich must also be made.

In 1938, in the old Reich (including the Saar), the disbursements of the Industrial Insurance Fund amounted to approximately 4.2 billion RM, of which about 3.8 billion RM were payments. As opposed to these disbursements, there were receipts of about 5.5 billion RM, so that there was a surplus of approximately 1.3 billion RM, which is to be considered as the formation of capital for the Industrial Insurance Fund. As this amount, like the formation of reserves by the Communes and the Reich Institution for Unemployment Relief, etc., benefited the credit of the Reich (almost exclusively, to be sure, in the indirect way of the taking over of Reich loans), the formation of capital by the Industrial Insurance Fund can not be included in the total of the public expenditures. Of the total income for the year 1938, in the amount of approximately 5.5 billion RM, about 4.1 billion RM were receipts from contributions,

fully

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fully 0.4 billion RM return on capital and administrative receipts, and also 0.9 billion RM grants.

In the calendar year 1939, the payments and also the receipts of the Industrial Insurance Fund have also risen. Including Austria and the Sudetenland, the total disbursements probably amounted to 5.2 billion RM, of which 4.8 billion RM were payments. The receipts probably reached the amount of 6.6 billion RM, so that a surplus of about 1.4 billion RM was probably available for the formation of capital. It is not likely that Austria and the Sudetenland participated in this formation of capital. Among the receipts, contributions probably amounted to a scant 5 billion RM, return on capital and administrative income some 0.5 to 0.6 billion RM, and grants to about 1.1 billion RM.

In the calendar year 1940 the increase in disbursements of the Industrial Insurance Fund will probably continue. This is explained partly by the continued increase in payments for annuity insurance, which is to be counted on at present in view of the progressing increase in the proportion of the working population that reaches retirement age. The payments for sick and accident insurance will also probably have increased, in connection with the intensive employment. Austria and the Sudetenland being included, expenditures of the Industrial Insurance Fund for the fiscal year

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year 1940 are to be calculated at about 5.6 billion RM, of which 5.1 to 5.2 billion RM would go for payments. In contrast to the disbursements, however, the receipts will presumably increase only to a slight extent. A slight decrease in the income from contributions is even to be counted on, but it ought to be about cancelled by the increased receipts from invested capital, in connection with the progressive formation of capital by the Industrial Insurance Fund. The grants from means of the Reich and the Reich Institution for Unemployment Insurance, etc., will probably be somewhat higher in 1940 than in 1939. In all, the receipts can be estimated at some 6.7 billion RM, so that the surplus available for formation of capital would be approximately 300 million RM less than in the previous year.

VI. Auxiliary Fiscal Bodies

The business, professional and party organizations and other associations meet their expenditures partly from Reich and other public grants and partly from dues. There are no adequate data available on the amount of their disbursements. It is likewise difficult to determine how great the total of the grants is which are made to them from the budget of the Reich (or the budgets of other responsible offices of the public administration). On the

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other hand, the receipts from dues can be estimated with some certainty, at least as to their amount. It is to be assumed that the organizations named also use the means at their disposal: the formation of reserves and budget surpluses could hardly play a part in them worth mentioning.

In consequence of the impossibility of determining the total needs of the organizations, only the figures on the receipts from dues will be given, or on that portion of the expenditures that can be covered from such receipts from dues, differing from the procedure employed heretofore. So the grants to these organizations that are contained in the budget of the public administration, particularly the budget of the Reich, are not to be considered in the budget of the organization receiving the grant, but in the budget of the body making the grant.

The total amount of dues collected by business, professional and party organizations and other associations probably amounted in 1938, in the old Reich, to about 1.8 billion RM. This sum was made up about as follows:

Dues of the business and trade organizations	810 to 820 million RM
Dues of the Party and its subordinate and attached units, including the Reich Air Protection League and the Reich Warriors' League	350 to 380 million RM

Contributions

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Contributions

Contributions to the Winter Relief Association (1938-39)	about 500 million RM
Other associations	<u>over 100 million RM</u>
Total	about 1,800 million RM.

It is to be assumed that among the business and professional organizations the German Labor Front is represented by too low an amount (about 440 million RM), but no more exact data are available. Besides this sum of 1.8 billion RM, there is also a sum of about 1 billion RM which was raised for the purpose of promoting export trade. In 1939 the income from dues of the organizations in the old Reich could hardly have been less, but was probably somewhat higher than in the preceding year. Besides, there is the effect of the extension of the territory of the Reich by Austria and the Sudetenland. The dues of the organizations mentioned should therefore, Austria and the Sudetenland being included, have amounted to approximately 2 billion RM. About 0.9 billion RM was expended for the promotion of export trade. In 1940 the receipts from dues of the organizations will undoubtedly diminish in part, but on the other hand certain increases are to be counted on, as for example in the German Red Cross. Among these there is also the Joint Aid Association of Industry, necessitated by the war, which would also claim amounts worth naming. So, on the whole,

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the receipts of the organizations from dues and assessments will, if the two last named are included, scarcely be lower in 1940 than in 1939. For the promotion of exports, only about 0.7 billion RM will be needed, in consequence of the drop in exportation. In all, we can thus assume that the expenditures of the organizations, including the promotion of exportation, covered by their own income from dues and assessments, were 2.8 billion RM in 1938 and 2.9 billion RM in 1939 and will be some 2.7 billion RM in 1940. Of these figures, that for 1938 refers to the old Reich, while the two figures for the years 1939 and 1940 are for the territory of the Reich as extended by Austria and the Sudetenland.

VII. The Public Budget and the Social Product

If, eliminating the amortization of debts, the formation of reserves and of capital, and all duplications that may result from transfers and shifts of credit among the various public bodies, we combine the amount of money needed by the Reich, the States, the Communes and associations of Communes, the Reich Auto Roads, the Special Fund for Marriage Loans and Bonuses for Children, the Reich Institution for Unemployment Insurance, etc., and the other industrial insurance institutions, as well as all auxiliary fiscal organizations, we get an amount of 45 to 46 billion RM in

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the old Reich for the year 1938. For 1939 we get net expenditures of the total public budget of fully 62 billion RM in the territory of the Reich extended by Austria and the Sudetenland, while a sum of approximately 74 billion RM can be calculated for the full war year of 1940, applying to the same territory of the Reich.

Net Disbursements of the Total Public
Budget from 1938 to 1940 (in
billion RM)

	1938*	1939**	1940**
Adjusted amount of money needed by the Reich, without amortiza- tion of debts	27.8***	42.6#	about 55#
Net amount of money needed by the States, Communes and asso- ciations of Communes (Reich Territories), without amorti- zation of debts or formation of reserves	8.7	9.7	8.9
Amount of money needed by the Special Fund for Marriage Loans and Bonuses for Children	0.6	0.6	0.6

Payments

-
- * Only the old Reich (including the Saar).
 - ** Including Austria and the Sudetenland.
 - *** Without loan to the Reich Auto Roads and without grant to the Social Insurance Fund.
 - # Including provisional government of the State of Austria, without grant to the Social Insurance Fund.

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	1938	1939	1940
Payments to the Reich Auto Roads (from funds of the Reich and the Reich Institution for Unemployment Insurance, etc.)	1.1	1	about 1
Disbursements of the Reich Institution for Unemployment Insurance, etc., in the domain of unemployment relief, provision of employment, and adjustment of wages.	0.4##	0.2###	0.2###
Disbursements of the Social Insurance Fund, without formation of capital	4.2	5.2	5.6
Disbursements of the organizations (including promotion of exportation), as far as covered by their own income (dues, assessments)	2.8	2.9	2.7
	45.6	62.2	about 74

If it is desired to measure the net expenditures of the public budget against the national income in the broadest sense, we must first of all have an understanding of the concept and the delimitation of the national income. The national income for a year is the total value of all commodities produced in that year, and independent services, less those commodities which are necessary for maintaining the national

Including administrative expenses.

Without administrative expenses, which from 1939 on are entered in the Reich budget.

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national apparatus of production, as well as the total national wealth, at the same level. Hence national income and national production do not entirely coincide. On the one hand, national income is less than production, which also embraces all those commodities which serve to replace the productive facilities that are worn out, other durable producer's goods and stocks on hand. On the other hand, the total amount of the national income is greater than the national production, as it also covers those services rendered that do not go into commodities, but have an intrinsic value. Such services are in particular the services of public officials.

In 1938 the German national income in the old Reich, including the Saar, amounted to approximately 80 billion RM. In 1939 it probably increased decidedly, even for the same area. Besides that, there is the extension of the territory of the Reich by Austria and the Sudetenland. Altogether, at a rough provisional estimate, the German national income for the year 1939, in the territory of the Reich augmented by Austria and the Sudetenland, may be estimated at about 94 billion RM. In the year 1940, the total value of the German national income in the same area was probably somewhat less than in 1939, but, from observations made up to this time, the decrease is not yet important. If we

disregard

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disregard the recent increase in territory in the East, that is, if we determine the total national income only for the territory of the Reich plus Austria and the Sudetenland for 1940, we can perhaps count on an amount of about 90 billion RM.

Now if we wish to compare the public expenditures with the figures for national income that have been mentioned, attention is to be paid to the following peculiarity in method: according to the method of calculation of national income that is employed with quite extensive agreement in Germany, Great Britain and the United States, not all sums which are devoted to public purposes are contained in the national income. This is due to the idea that a certain amount of governmental activity is absolutely necessary in order that a national economy may exist and operate at all, and that income may be obtained. To that extent therefore the expenditures of the public administration are not the employment of income, but national expenses. In practice, this idea is applied to the calculation of German national income by not including in the total national income all public revenue secured from taxes and fees. This is included only in so far as it benefits, by its use, the domain of consumption, that is, it appears in the national economy, from the standpoint of the tax-payer, as a part of

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of the use of income. Hence its total amount is measured by the expenditures of the public bodies for government payments "intended for consumption", such as educational and welfare work, government transfers of income, such as annuities and relief, and other similar expenditures. A part of the taxes and fees necessary for covering these expenditures is already included in private income, that is, that portion which, under the income tax law in effect, can not be deducted as professional outlay, such as taxes from income and property, school fees and the like. The granting of credit also to the government is already contained in private income as a portion of private savings. The total of this private income is therefore increased in the calculation of the national income (aside from the net receipts of the public trading capital) by that amount from the other tax and fee revenue which is needed to make up the difference between the public expenditures designated above and the public revenue still concealed in private income or paid in as earned revenue. All other revenue from taxes and fees is treated as national economic costs and therefore is not considered at all in the total national income.

Now if we should connect the total net expenditures of the public budget, which also include that portion of the public expenditures that are to be called national maintenance costs,

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costs, with the above-mentioned amounts of the national income that do not embrace that portion of the national requirements, that would be erroneous. So for the purposes of this comparison we must also add to the national income those receipts from taxes and fees which, according to the above definition, are not ordinarily included in the total value for the national income. In 1938 (old Reich only) these amounted to approximately 15 billion RM, and in 1939 and 1940 (including Austria and the Sudetenland) 19 billion RM for each year. The totals for national income, augmented by these sums, can be designated as social product in the broader sense.

The net disbursements of the whole public budget can now be subtracted from these figures for the social product in the broader sense. To be sure, in the case of the figures for the national income amounts are involved which are obtained, taken all in all, on the basis of the calendar year, while the public expenditures are chiefly composed of figures from the fiscal year. But the error is insignificant. If we establish this difference between social product and public expenditure, we must understand that the portion of the national income available from private enterprise is by no means restricted to the remainder. To be sure, the government itself uses the great majority of what it takes

from

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from the national income, either in the way of expenditures in kind or by requiring the services of officials. But it permits a not unimportant portion to flow back into the current of income as mere transfer of income. As early as 1938 (old Reich only), an amount of fully 8 billion RM was involved. By the augmentation of relief for families since the outbreak of the present war, this transfer of income by the public authorities has acquired a considerably greater significance. In 1939 (Austria and the Sudetenland included) it amounted to a scant 12 billion RM, and in 1940 (for the same territory) it will probably reach the figure of 15 billion RM. If we add these amounts to the difference between the social product in a broader sense and the public expenditures, we get the portion of the national income available from private enterprise, the greater part of which is consumed and the smaller portion devoted to new investments in the sector of private enterprise. In the year 1938 (in the old Reich), it amounted to a scant 58 billion RM. In 1939 (Austria and the Sudetenland included), we get 63 billion RM. If we consider that an increase of 10 to 15 percent is due to the extension of territory, we arrive at the result that even in 1939 the portion of the German national income available from private enterprise must have been somewhat less than in 1938. For 1940 it is calculated

at

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at about 50 billion RM, so that we can draw the conclusion that the standard of living of the German people has been lowered by nearly one-fifth. It should be kept in mind, to be sure, that there were, in the first place, certain possibilities of avoiding consumption by the using up of portions of the national wealth, as for example by decreasing the number of cattle, failure to make investments in place of others, clearing out of stocks, etc.

	1938*	1939**	1940**
	<u>in billions of RM</u>		
National income	80	about 94	about 90
<u>Plus</u> taxes not included in national income	<u>15.2</u>	<u>19.1</u>	<u>about 19</u>
Social product in the broader sense	<u>95.2</u>	<u>about 113</u>	<u>about 109</u>
<u>Minus</u> total expenditures of the public authorities	<u>45.6</u>	<u>62.2</u>	<u>about 74</u>
Remainder	49.6	about 51	about 35
<u>Plus</u> transfer of income by the government	<u>8.1</u>	<u>11.7</u>	<u>about 15</u>
Portion of the national income available for private enter- prise	57.7	about 63	about 50

* Old Reich, including the Saar.

** Including Austria and the Sudetenland, but without the newly incorporated eastern territory.

been somewhat less than in 1938.

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Estimate of the most important financial data of the States and Communes (associations of Communes) for the fiscal years 1938, 1939 and 1940 (in millions of RM.)

	Fiscal Year 1938 1)		
	States of the old Reich	Communes and associations of Communes in the old Reich 4)	Total
Amount of money needed (without war contributions)	2,800	7,460	10,260
Grants of States, Communes and associations of Communes	295	124	419
Hence:			
Amount of money needed by the States, Communes and associations of Communes (without war contributions)	2,505	7,336	9,841
Grants by the Reich	70	81	151
Hence:			
Net amount of money needed (without war contributions)	2,435	7,255	9,690
Taxes:			
Reich tax transfers	1,164	931	2,095
State and Commune taxes	688	4,433	5,121
Total taxes:	1,852	5,364	7,216
Trading capital (net income)	280	149	429
Other income	448	2,042	2,490
War contribution to the Reich	--	--	--
Increased receipts (†) or increased disbursements (-)	+ 145	+ 300	+ 445
Personnel disbursements (including wages)	1,697	2,400	4,097
Service on debt:			
Interest	103	267	370
Amortization	155	513	668

- 1) Old Reich only (including the Saar).
- 2) Including Austria and the Sudetenland, but without the provisional government of the State of Austria and without the newly incorporated eastern territories.
- 3) Without Hamburg and Bremen.
- 4) Including Hamburg and Bremen.
- 5) Less war contributions of the Prussian Provincial Associations.
- 6) Plus war contributions of the Prussian Provincial Associations.
- 7) On the assumption that there is a further decrease of 40,000,000 RM under the Second Act on Financial Measures in the Domain of Policing.

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Fiscal Year 1939 2)			Fiscal Year 1940	
States of the old Reich 3)	Communes and associations of Communes In the old Reich 4)	Austria, Sudet- enland and Reich Territories	Total	Total
2,790	7,000	1,113.6	10,903.6	10,150
300	125	--	425.0	425
(2,490) 40	(6,875) 130	(1,113.6) 19.3	10,478.6 189.3	9,725 250
2,450	6,745	1,094.3	10,289.3	9,475
1,225 675	785 4,729	407.0 362.5	2,417.0 5,766.5	2,110 7) 5,615
1,900	5,514	769.5	8,183.5	7,725
270 415 - 905)	315 1,831 - 7506)	40.8 282.5 --	625.8 2,528.5 - 840.0	670 2,270 - 1,390
+ 45	+ 165	- 1.5	+ 208.5	- 200
1,810	2,695	472.0	4,977.0	5,030
95 85	260 505	20 45	375.0 635.0	360 550

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Table 2

Income of the Reich from taxes and customs duties in the fiscal years 1938 and 1939 * in millions of RM.

	1938	1939
Tax and customs income according to the "Ministerialblatt"	17,712.1	23,575.1
<u>Less</u>		
1. Transfers to the States of the old Reich (unless entered as expenditures)	- 2,668.2	- 2,626.7
2. For Special Fund for Marriage Loans and Bonuses for Children (from income tax)	- 200.0	- 250.0
3. To the Reich Auto Roads (from transfer, shipping and oil taxes and from customs)	- 257.6	- 246.0
4. Application of tax coupons ¹⁾	- 357.7	- 0.5
<u>Total deductions (1-4)</u>	- 3,483.5	- 3,123.2
Net amount of tax and customs revenue according to the Reich budget:	14,228.6	20,451.9
<u>Plus:</u>		
Decrease in the State transfers because of the assumption of administrative branches (Justice, Police, et cetera) by the Reich	642.8	645.1
Contribution of the German Railways (formerly reparations tax)	172.9	198.0
<u>Result</u>	15,044.3	21,295.0
<u>Less</u>		
Transfers which are entered in the Reich budget as disbursements:		
a. To the States of the old Reich	- 126.6	- 30.5
b. To the Saar	- 25.7	- 22.7
c. To Austria	- 203.2 ²⁾	- 499.2 ³⁾
d. To the Sudetenland	--	151.2
e. To Prussia for the eastern districts incorporated	--	56.0
f. To the Reich Territories Danzig-West Prussia and Wartheland	--	46.0
<u>Total deductions (a-f)</u>	- 355.5	- 805.6
The Reich's share of receipts from taxes and customs (see Table 6)	14,688.8	20,489.4

- * Deviations in the totals because of rounding off of the figures.
- 1) Only 0.5 million in tax coupons of the old type were cashed in the fiscal year 1939. The NF I tax coupons redeemed in the fiscal year 1939 (819.1 million RM) were not deducted from the tax revenue in the budget year 1939, but were deducted directly from the gross yield of the NF tax.
 - 2) To the State of Austria (for shortage in State income).
 - 3) Of this amount, 171.7 million RM to the provisional government of the State of Austria and 327.5 to the Austrian Reich Territories and Communes (associations of Communes).

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Table 3
Disbursements of the civilian administrative authorities
of the Reich in the budget years 1938 and 1939 (in millions
of RM)*

	1938	1939
Special payments to States and Communes	100.1	106.4
To Communes for work in the domain of town building	46.6	71.3
Grants to annuity insurance offices	640.4	676.0
Relief to families	72.3	1,489.6
Liquidation of the Austrian National Bank	470.1	--
Redemption of Czech bonds	203.4	--
Compensation for rate of exchange on purchases of foreign currency	11.4	--
Salaries and compensations, including wages	1,555.3	2,165.4
Aid allowances ¹⁾	429.2	504.0
Military aid allowances	1,090.1	1,161.4
Interest on and amortization of the Reich's debt ²⁾	2,741.9	3) 3,234.9
Payments to corporations and private individuals ⁴⁾	1,624.3	
Grants of loans and the like ⁵⁾	940.7	6,217.3
New buildings, new equipment and the like	1,626.5	
Disbursements in kind and others	1,646.8	
Total	13,199.0	15,626.3

* Deviations in the totals due to rounding off of the figures.

- 1) Including aid allowances of the new armed forces: 96.9 million RM in 1938 and 71.4 in 1939.
- 2) Interest: 1,472.6 million RM; amortization: 1,269.3 million RM (including 358.6 million RM for the redemption of employment procurement bonds).
- 3) Interest: 1,949.8 million RM; amortization: 1,285.1 million RM (including 27.9 million RM for revaluation of the guaranty debt of the Reich for the German protective area loans).
- 4) Including 352.7 million RM for social welfare and pensions.
- 5) Including 608.0 million RM as a loan to the Reich Auto Roads.

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Table 4

Receipts from trading capital and other general means of coverage of the Reich in the fiscal years 1938 and 1939 in millions of RM *

	1938		1939	
From the Reich Institution for Unemployment Insurance		443.9		279.3
From the Reich Post Office Department and Reich Printing Office		164.6		185.8
From the Mint: Receipts	206.8		178.4	
Payments	<u>79.9</u>	126.8	<u>27.8</u>	150.6
Share in net profit of Reich Bank		18.0		128.9
Other trading capital:				
a) Receipts				
Public lands and forests	8.6		¹⁾ 40.0	
Share in the "Viag"	15.0		16.4	
Share in other commercial, industrial and banking enterprises	25.2		190.0	
Payments and interest on Reich bank deposits	7.3		--	
Real estate and funded property	<u>91.8</u>	147.9	¹⁾ 19.9	266.3
b) Disbursements				
Public lands and forests	18.7		¹⁾ 60.0	
Increase in capital of the "Viag"	33.2		4.3	
Increase in capital of the "Rowak"	10.0		15.0	
"Hermann Göring" Reich Plant	325.2		--	
German Settlement Bank	50.0		--	
Prussian Liquidation Bank	20.0		--	
Dresdner Bank	29.3		--	
Other business advances	23.4		--	
Participation in and advances to enterprises	--		¹⁾ 580.0	
Real estate and funded property	1.6	511.4 -363.5 ¹⁾	3.0	662.3 -396.0
Other general means of coverage:				
Receipts	²⁾ 415.4		³⁾ 368.8	
Disbursements	27.3	388.1	⁴⁾ 198.0	170.8
Net income		778.0		519.3

* Deviations in the amounts due to rounding off of the figures.

- 1) From the estimate.
- 2) Including a payment of 187.4 million RM by Austria for the transfer of administrative branches to the Reich.
- 3) Including 77.9 million RM from the redemption of Czech bonds.
- 4) Including 9.7 million RM for covering the deficit in the equalization procedure for the Sudetenland; 4.3 million RM equalization fund for States in distress.

a 24 p 60

Table 5

Administrative income of the Reich in the fiscal years 1938 and 1939 in millions of RM *

	1938	1939
Fees and charges of similar nature	400.0	--
Repayment of loans	181.3	--
Other administrative income, for example, rentals, proceeds from sales, interest on loans, et cetera 1)	472.1	--
Administrative income of the civil budget	1,053.4	1,416.5
Administrative income of the armed forces	57.9	426.2
Total administrative income	1,111.3	1,842.7

* Deviations in the amounts due to rounding off of the figures.

1) Including 215.7 million RM surplus of the Reich Office for Grain, Eggs, etc. and 62.1 million RM receipts of the Reich Ministry for Popular Enlightenment and Propaganda from broadcasting fees.

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Table 6

Reich expenditures and their coverage in the fiscal years 1938 and 1939 in millions of RM, prepared according to the principles of financial statistics * 1)

	Fiscal Year	
	1938	1939
A. Expenditures of the armed forces	17,247.2	28,920.5
B. Expenditures of the civil administrative authorities 2)	13,199.0	15,626.3
Expenditures of the administrative authorities all together (A and B)	30,446.2	44,546.8
Covered by special payments of the States and Communes	103.9	121.9
Net amount of money needed by the Reich	30,342.3	44,424.9
Covered by special means of coverage:		
1. Administrative income 3)	1,111.3	1,842.7
2. Borrowing	7,534.3	6,269.9
Total special means of covering (1+2)	8,645.6	8,112.6
Actual cash needed by the Reich	21,696.7	36,312.3
Covered by general means of covering:		
a) Reich's share of tax and customs revenue (less transfers on the debit side) 4)	14,688.8	20,489.4
b) Property secured from the Jews	498.5	533.1
c) Issuance of NF tax coupons	--	3,972.7
d) War contribution of the States, as well as portions of salaries saved and transferred to the Reich	--	970.0
e) Earned revenue and other general means of coverage (excess of receipts over expenditures) 5)	778.0	519.3
Total general means of coverage (a-e)	15,965.2	26,484.5
Excess of expenditures over income	5,731.5	9,827.8
Amount of the delivery bonds (Lieferschatzanweisungen) issued in the fiscal year 1938 but not due until 1939	- 2,700.0	+ 2,700.0
Deficit	3,031.5	12,527.8

* Deviations in the amounts due to rounding off of the figures.

- 1) See Table 1.
- 2) See Table 3.
- 3) See Table 5.
- 4) See Table 2.
- 5) See Table 4.

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Table 7

(Missing from original.)

Cats. Category	1940-1941				Total
	1940	1941	1942	1943	
1. 1940-1941	10	10	10	10	40
2. 1941-1942	10	10	10	10	40
3. 1942-1943	10	10	10	10	40
4. 1943-1944	10	10	10	10	40
5. 1944-1945	10	10	10	10	40
6. 1945-1946	10	10	10	10	40
7. 1946-1947	10	10	10	10	40
8. 1947-1948	10	10	10	10	40
9. 1948-1949	10	10	10	10	40
10. 1949-1950	10	10	10	10	40
11. 1950-1951	10	10	10	10	40
12. 1951-1952	10	10	10	10	40
13. 1952-1953	10	10	10	10	40
14. 1953-1954	10	10	10	10	40
15. 1954-1955	10	10	10	10	40
16. 1955-1956	10	10	10	10	40
17. 1956-1957	10	10	10	10	40
18. 1957-1958	10	10	10	10	40
19. 1958-1959	10	10	10	10	40
20. 1959-1960	10	10	10	10	40
21. 1960-1961	10	10	10	10	40
22. 1961-1962	10	10	10	10	40
23. 1962-1963	10	10	10	10	40
24. 1963-1964	10	10	10	10	40
25. 1964-1965	10	10	10	10	40
26. 1965-1966	10	10	10	10	40
27. 1966-1967	10	10	10	10	40
28. 1967-1968	10	10	10	10	40
29. 1968-1969	10	10	10	10	40
30. 1969-1970	10	10	10	10	40
31. 1970-1971	10	10	10	10	40
32. 1971-1972	10	10	10	10	40
33. 1972-1973	10	10	10	10	40
34. 1973-1974	10	10	10	10	40
35. 1974-1975	10	10	10	10	40
36. 1975-1976	10	10	10	10	40
37. 1976-1977	10	10	10	10	40
38. 1977-1978	10	10	10	10	40
39. 1978-1979	10	10	10	10	40
40. 1979-1980	10	10	10	10	40
41. 1980-1981	10	10	10	10	40
42. 1981-1982	10	10	10	10	40
43. 1982-1983	10	10	10	10	40
44. 1983-1984	10	10	10	10	40
45. 1984-1985	10	10	10	10	40
46. 1985-1986	10	10	10	10	40
47. 1986-1987	10	10	10	10	40
48. 1987-1988	10	10	10	10	40
49. 1988-1989	10	10	10	10	40
50. 1989-1990	10	10	10	10	40
51. 1990-1991	10	10	10	10	40
52. 1991-1992	10	10	10	10	40
53. 1992-1993	10	10	10	10	40
54. 1993-1994	10	10	10	10	40
55. 1994-1995	10	10	10	10	40
56. 1995-1996	10	10	10	10	40
57. 1996-1997	10	10	10	10	40
58. 1997-1998	10	10	10	10	40
59. 1998-1999	10	10	10	10	40
60. 1999-2000	10	10	10	10	40
61. 2000-2001	10	10	10	10	40
62. 2001-2002	10	10	10	10	40
63. 2002-2003	10	10	10	10	40
64. 2003-2004	10	10	10	10	40
65. 2004-2005	10	10	10	10	40
66. 2005-2006	10	10	10	10	40
67. 2006-2007	10	10	10	10	40
68. 2007-2008	10	10	10	10	40
69. 2008-2009	10	10	10	10	40
70. 2009-2010	10	10	10	10	40
71. 2010-2011	10	10	10	10	40
72. 2011-2012	10	10	10	10	40
73. 2012-2013	10	10	10	10	40
74. 2013-2014	10	10	10	10	40
75. 2014-2015	10	10	10	10	40
76. 2015-2016	10	10	10	10	40
77. 2016-2017	10	10	10	10	40
78. 2017-2018	10	10	10	10	40
79. 2018-2019	10	10	10	10	40
80. 2019-2020	10	10	10	10	40
81. 2020-2021	10	10	10	10	40
82. 2021-2022	10	10	10	10	40
83. 2022-2023	10	10	10	10	40
84. 2023-2024	10	10	10	10	40
85. 2024-2025	10	10	10	10	40
86. 2025-2026	10	10	10	10	40
87. 2026-2027	10	10	10	10	40
88. 2027-2028	10	10	10	10	40
89. 2028-2029	10	10	10	10	40
90. 2029-2030	10	10	10	10	40
91. 2030-2031	10	10	10	10	40
92. 2031-2032	10	10	10	10	40
93. 2032-2033	10	10	10	10	40
94. 2033-2034	10	10	10	10	40
95. 2034-2035	10	10	10	10	40
96. 2035-2036	10	10	10	10	40
97. 2036-2037	10	10	10	10	40
98. 2037-2038	10	10	10	10	40
99. 2038-2039	10	10	10	10	40
100. 2039-2040	10	10	10	10	40
101. 2040-2041	10	10	10	10	40
102. 2041-2042	10	10	10	10	40
103. 2042-2043	10	10	10	10	40
104. 2043-2044	10	10	10	10	40
105. 2044-2045	10	10	10	10	40
106. 2045-2046	10	10	10	10	40
107. 2046-2047	10	10	10	10	40
108. 2047-2048	10	10	10	10	40
109. 2048-2049	10	10	10	10	40
110. 2049-2050	10	10	10	10	40
111. 2050-2051	10	10	10	10	40
112. 2051-2052	10	10	10	10	40
113. 2052-2053	10	10	10	10	40
114. 2053-2054	10	10	10	10	40
115. 2054-2055	10	10	10	10	40
116. 2055-2056	10	10	10	10	40
117. 2056-2057	10	10	10	10	40
118. 2057-2058	10	10	10	10	40
119. 2058-2059	10	10	10	10	40
120. 2059-2060	10	10	10	10	40
121. 2060-2061	10	10	10	10	40
122. 2061-2062	10	10	10	10	40
123. 2062-2063	10	10	10	10	40
124. 2063-2064	10	10	10	10	40
125. 2064-2065	10	10	10	10	40
126. 2065-2066	10	10	10	10	40
127. 2066-2067	10	10	10	10	40
128. 2067-2068	10	10	10	10	40
129. 2068-2069	10	10	10	10	40
130. 2069-2070	10	10	10	10	40
131. 2070-2071	10	10	10	10	40
132. 2071-2072	10	10	10	10	40
133. 2072-2073	10	10	10	10	40
134. 2073-2074	10	10	10	10	40
135. 2074-2075	10	10	10	10	40
136. 2075-2076	10	10	10	10	40
137. 2076-2077	10	10	10	10	40
138. 2077-2078	10	10	10	10	40
139. 2078-2079	10	10	10	10	40
140. 2079-2080	10	10	10	10	40
141. 2080-2081	10	10	10	10	40
142. 2081-2082	10	10	10	10	40
143. 2082-2083	10	10	10	10	40
144. 2083-2084	10	10	10	10	40
145. 2084-2085	10	10	10	10	40
146. 2085-2086	10	10	10	10	40
147. 2086-2087	10	10	10	10	40
148. 2087-2088	10	10	10	10	40
149. 2088-2089	10	10	10	10	40
150. 2089-2090	10	10	10	10	40
151. 2090-2091	10	10	10	10	40
152. 2091-2092	10	10	10	10	40
153. 2092-2093	10	10	10	10	40
154. 2093-2094	10	10	10	10	40
155. 2094-2095	10	10	10	10	40
156. 2095-2096	10	10	10	10	40
157. 2096-2097	10	10	10	10	40
158. 2097-2098	10	10	10	10	40
159. 2098-2099	10	10	10	10	40
160. 2099-2100	10	10	10	10	40
161. 2100-2101	10	10	10	10	40
162. 2101-2102	10	10	10	10	40
163. 2102-2103	10	10	10	10	40
164. 2103-2104	10	10	10	10	40
165. 2104-2105	10	10	10	10	40
166. 2105-2106	10	10	10	10	40
167. 2106-2107	10	10	10	10	40
168. 2107-2108	10	10	10	10	40
169. 2108-2109	10	10	10	10	40
170. 2109-2110	10	10	10	10	40
171. 2110-2111	10	10	10	10	40
172. 2111-2112	10	10	10	10	40
173. 2112-2113	10	10	10	10	40
174. 2113-2114	10	10	10	10	40
175. 2114-2115	10	10	10	10	40
176. 2115-2116	10	10	10	10	40
177. 2116-2117	10	10	10	10	40
178. 2117-2118	10	10	10	10	40
179. 2118-2119	10	10	10	10	40
180. 2119-2120	10	10	10	10	40
181. 2120-2121	10	10	10	10	40
182. 2121-2122	10	10	10	10	40
183. 2122-2123	10	10	10	10	40
184. 2123-2124	10	10	10	10	40
185. 2124-2125	10	10	10	10	40
186. 2125-2126	10	10	10	10	40
187. 2126-2127	10	10	10	10	40
188. 2127-2128	10	10	10	10	40
189. 2128-2129	10	10	10	10	40
190. 2129-2130	10	10	10	10	40
191. 2130-2131	10	10	10	10	40
192. 2131-2132	10	10	10	10	40
193. 2132-2133	10	10	10	10	40
194. 2133-2134	10	10	10	10	40
195. 2134-2135	10	10	10	10	40
196. 2135-2136	10	10	10	10	40
197. 2136-2137	10	10	10	10	40
198. 2137-2138	10	10	10	10	40
199. 2138-2139	10	10	10	10	40
200. 2139-2140	10	10	10	10	40
201. 2140-2141	10	10	10	10	40
202. 2141-2142	10	10	10	10	40
203. 2142-2143	10	10	10	10	40
204. 2143-2144	10	10	10	10	40
205. 2144-2145	10	10	10	10	40
206. 2145-2146	10	10	10	10	40
207. 2146-2147	10	10	10	10	40
208. 2147-2148	10	10	10	10	40
209. 2148-2149	10	10	10	10	40
210. 2149-2150	10	10	10	10	40
211. 2150-2151	10	10	10	10	40

Table 8
Expenditures and receipts of the Reich Institution for Unemployment Insurance, et cetera in the fiscal years 1938 and 1939

	Fiscal Year					
	1938			1939		
	Old Reich (including the Saar)	Austria and Sudet- enland	Com- bined	Old Reich including Austria and Sudet- enland	Danzig, West Prussia, Warthe- land	Com- bined
	In millions of Reichsmarks *					
A. Disbursements						
I. Special disbursements						
a) Administrative expenses	162.9	13.6	176.5	197.6	3.1	200.7
b) Unemployment relief	122.4	50.2	172.7	122.1	15.1	137.2
c) Procurement of work	46.2	2.2	48.4	41.8	1.3	43.1
d) Adjustment of employment	32.2	1.9	34.1	77.5	0.4	77.9
Total	363.8	67.9	431.7	439.0	19.9	458.9
II. General budget disbursements						
a) To other unemployment relief offices	1.8	--	1.8	--	--	--
b) To annuity insurance offices	379.0	--	379.0	451.1	--	451.1
c) To the Special Fund for Marriage Loans and Bonuses for Children	298.6	--	298.6	331.1	--	331.1
d) To the Reich Auto Roads	210.0	--	210.0	800.0	--	800.0
e) To the Reich budget	443.9	--	443.9	279.3	--	279.3
f) Formation of reserves	--	--	--	41.7	--	41.7
g) To sick benefit offices (for collection of contributions)	8.3	0.1	8.3	8.6	--	8.6
Total	1341.6	0.1	1341.7	1911.8	--	1911.8
Total Disbursements:	1705.4	68.0	1773.4	2350.8	19.9	2370.6
B. Receipts						
I. Receipts from contributions	1931.6	9.5	1941.2	2145.9	6.3	2152.2
II. Administrative receipts	35.5	0.1	35.6	19.0	0.3	19.3
Total receipts	1967.1	9.7	1976.8	2164.9	6.7	2171.5
Increase in receipts (+) or increase in disbursements (-)	--	--	+ 203.3	--	--	- 199.1
Plus: balance from preceding year	--	--	191.1	--	--	394.3
Surplus	--	--	394.3	--	--	195.2

* Deviations in the amounts due to rounding off of the figures.
 1) Including 198.7 million RM payment of administrative expenses to the Reich and 2 million RM for old pensions of the Reich.

a 24 p 64

Table 9

Disbursements and receipts of the Industrial Insurance Fund (without unemployment insurance) in the calendar years 1938, 1939 and 1940.

	1938 1)	1939 2)	1940 3)
	Old Reich	Old Reich	Including Austria and Sudetenland
	In millions of RM	In billions of RM	Including Austria and Sudetenland
A. Disbursements			
Annuity payments	1,952	--	--
Lump sum payments	598	--	--
Payments in kind	1,289	--	--
Total payments	3,839	4.23	4.77
Administrative expenses	303	0.32	0.37
Other disbursements	53	0.05	0.06
Total disbursements	4,195	4.60	5.20
B. Receipts			
Contributions from employees	2,174	--	--
Contributions from employers	1,950	--	--
Total contributions	4,124	4.50	4.95
Returns from capital	336	0.37	0.41
Other income of its own	112	0.13	0.14
Total income of its own	4,572	5.00	5.50
Grants from the Reich	582	0.60	0.67
Grants from the Reich Institution for Unemployment Insurance et cetera	335	0.40	0.43
Total income	5,489	6.00	6.60
Excess of receipts over disbursements and formation of capital	1,294	1.40	1.40

1) Provisional figures.

2) Estimate on the basis of partial figures.

3) Rough estimate.

a 24 p 65

Leight *Safe: Germany* *BSF*

DEPARTMENT OF STATE
WASHINGTON

March 13, 1941.

My dear Mr. President:

I am attaching the third document of a secret nature. You have received one on oils and raw materials; another on finances. The attached copy is on labor. They were all obtained under the same circumstances but have arrived at different times. The question of secrecy is of the essence, not so much because of the substance but because of the source. Consequently if you decide to make this document available to other persons, it is hoped that you will impress upon them the necessity of abstaining from quotation from or allusion to the document.

Faithfully yours,

Enclosure:
Memorandum.

The President,
The White House.

Cordeell Hall

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COPY

~~SECRET~~

#1
Berlin, January 5, 1941.

Supplement to -

Estimate of the Situation in the Armament Industry.

The Problem of Insufficient Labor in 1941.

I

General Considerations

1.

In the Reich (including Austria and the Sudeten areas) the number of laborers and employees engaged were as follows:

On September 1, 1939.....24,461,000

On January 1, 1941.....22,652,000.

The decrease in the number of men employed amounted to 2,100,000; the increase in the number of women employed, approximately 2,091,000.

Of the total number of laborers and employees engaged on January 1, 1941 there were 2,900,000 employed in agriculture and forestry; in the productive branches (industry, handwork, commerce and transportation) and in special administration, altogether 19,252,000.

Since the beginning of the war there has been no unemployment and no short time workers in Germany.

DECLASSIFIED
UNCLASSIFIED

2. Before

a 24 g 02

2.

Before the outbreak of war, about 20 percent of the productive workers (industry and hand-labor) was employed directly in satisfying the needs of the defense forces; at the end of 1940 there were employed about 66 percent, including production units which have been working for defense purposes. For defense needs up to April 1941 about 70 to 75 percent will be employed, consequently the consumption goods production industry will be correspondingly reduced to from 30 to 25 percent.

3.

The shifting of the workers into essential industries was accomplished through the well known system of mobilization of labor, that is, in the first place, through concentrating with great energy all available workers into factories engaged in public utilities and essential defense production.

Since the beginning of the war the total number of persons engaged in compulsory labor service (in accordance with the war-compulsory service law) amounted to 1,175,000. In the meantime, for a large number of these persons engaged in compulsory service, the period of duty has elapsed. In February of this year a new recruitment of persons obliged to do compulsory labor service will be

a 249 03

called

called up amounting to about 900,000 men and women, including laborers and employees. At the end of January 1941 the total number of foreign laborers employed in Germany was approximately 1,500,000, of which 800,000 were employed in agriculture and forestry, and 675,000 in industry and trades.

The total number of prisoners of war employed in agriculture, forestry and the manufacturing industry amounted to 1,240,000.

II

The Workers and The Army

Of male laborers and employees there are now in active military service approximately 5,000,000. The new class called up this year will amount to 800,000 more.

The number employed in addition to the above, without remuneration, is 3,500,000; thus the defense forces employ altogether about 9,500,000 persons who are capable of working in the trades or agricultural industries.

III

The New Requirements for the Period - January, February, March 1941.

The employment agencies to satisfy all demands will require 1,250,000 men. These demands come from industrial organizations

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organizations, which, on account of the character of deliveries made (essential war industries), are able to claim preference in their demand for labor. Among these, 5 to 600,000 are considered as urgent demands.

The most urgent demand for labor, and also the most difficult to satisfy, is that for metal workers of all kinds. These demands for additional workers are made primarily by armament industries, chemical industries, locomotive, automotive, agricultural machinery, tool machine industries, manufacturers of mining machinery, water power, electrical machinery, and industries engaged in export (that is, for the most urgent Russian orders).

From factories engaged in manufacturing munitions at the beginning of 1941 there was an extraordinarily urgent demand for approximately 150,000 workers, which, it was estimated, would increase to 250,000 on the 31st of March and to 450,000 on the 30th of June.

Of a number of other urgent demands for workers a few may be mentioned as, for instance, the need of the mines for workers (from 60 to 70,000 men) for the purpose of increasing the mining of coal from 25 to 30,000,000 tons.

For the building of important defense projects new workers and builders required will total about 175 to

200,000;

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200,000; of these a large part is for projects for the Army and Air Force and the Navy, that is, from 90 to 100,000.

The need for 200 to 300,000 workers for the building of air raid shelters will have to be met through taking workers from current private and industrial building projects.

IV

The possible measures which may be undertaken to cover these needs are as follows:

1. Examination of the program of armaments manufacture with the object of postponing those least important.

2. Energetically combing through all manufacturing plants in order to be sure that all workers are employed to the utmost, particularly expert skilled workers.

3. A greater employment of women at the right political moment.

4. A greater employment of foreigners.

5. Greater employment of prisoners of war.

6. Greater consideration to the lack of skilled workers in calling up new recruitments, particularly in agriculture, in mining, mechanics, expert machine workers, coppersmiths, welders in the iron and metal industries.

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7. Deferment

7. Deferment of projects heretofore regarded as urgent for civil purposes which make a heavy demand on skilled labor.

8. Measures for the utilization to full capacity of all industrial plants.

9. A more intensive deferment of contracts to avoid bottlenecks.

10. A more intensive transfer of contracts to industries in regions less exposed to air attacks.

V

The Result of the Insufficient Employment of Labor in the Accomplishment of the Armaments Plans for the Spring-Summer of 1941.

In accordance with recent decisions (January 1941) vital shifts in the employment of workers will be carried through during February in the production-program for the strengthening of the Air Force and the Navy; these shifts are to be made in accordance with the relative degree of urgency. An immediate and urgent program for the extension of the armaments industries, shipbuilding docks, as well as those industries working on orders for shipbuilding enterprises, as well as airplane manufacturing industries and their widely extended sub-contractors, must be carried through in line with the changed plans, also with respect to the employment and the making available of labor.

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The extent of this immediate program, according to plans, is extraordinarily far-reaching. All the indispensable factors, productive and technical, for the carrying out of this program must be made available with the shortest delay, and at the same time making available all obtainable material for building and manufacturing, as well as a sufficient number of workmen. In order to carry out this program the Reich Ministry of Labor with its labor employment offices must make available from 250,000 to 300,000 trained, special skilled workers. A part of these special workers will be obtained by recruiting skilled mechanics from certain productively and technically related branches of industry. The shortage of labor which will ensue in the productively and technically related branches of industry on this account will be made up by recruiting other workers from industries engaged in consumption goods. A further part of the needed skilled workers will be obtained by laying idle certain industries related to trades employing skilled workers similar to those required in the munitions industries. The program of rendering certain plants idle might well affect particularly such enterprises as the Pforzheimer factories (gold, silver, jewelry and watch workers); also, enterprises engaged in the manufacture of typewriters,

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calculating

calculating machines, etc.; also, industries manufacturing mechanical toys, hardware, etc. These workers, after a very short period of re-learning and apprenticeship, will have to take up their work in the shops employing skilled workers engaged on contracts for the Navy and Air Force.

These extraordinary and immediately urgent measures require a further re-grouping in the armaments industries which, up to the present time, have been predominantly engaged in manufacturing for the land forces. The technical possibilities for carrying through a sudden transformation of these factories, the delivery of materials and the employment of skilled workers for the manufacture of equipment for the Air Force and the Navy are limited. Extending or rebuilding armament factories which have been working heretofore solely for the Army have not succeeded in the degree hoped for. For example, it was impossible on that account to carry out at the existing shipbuilding docks and other plants working on naval orders the 1940 program for the building of U-boats, fast boats, transport boats, cruisers, mine layers, etc., etc., even up to battleships.

Likewise, for the Air Force and for air defense artillery it was not possible to carry out fully the planned increase for 1941. Especially for this reason

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the program above mentioned of employing additional workers in order to bring production to the maximum was adopted.

Industries and factories engaged in trades for supplying the civil populations will furthermore be weakened. This situation will require a new law in accordance with which the municipalities and the functionaries of the National Socialist Party will have the right of entering private households and examining and carrying through confiscations. Through these measures surpluses of clothing, shoes, underwear, metals, household articles, etc., which are not required for a certain minimum of existence and use will be confiscated. The distribution centers of the municipalities and the National Socialist Party, etc., will make a distribution of the confiscated goods to the other inhabitants according to their needs. The same system will be carried through, for instance, with respect to the confiscation of private typewriters in order to satisfy the war needs of other organizations of the State and Party.

Appendix

General Analysis of the Employment of
Labor in 1941.

1.

The revised armaments program for 1941 - ARMING IN
THE AIR AND ON THE SEA - requires an additional employment

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of

of experienced trained workers. This program is unrealizable. There was found an extraordinarily great lack of skilled mechanics to whom it has been possible to ration out armaments-parts for the manufacture of airplanes and naval weapons. This shortage of workers, for the most part, is to be overcome through limiting industries engaged in the manufacture of consumption goods, and furthermore, in laying such plants idle.

Through a further employment of women it is planned to obtain 500,000 more hands for industry and agriculture.

From abroad it is planned to obtain 200 to 300,000 skilled workers. Finally, during 1941 apprentices and additional workers will be obtained through the employment of youth, that is, it is expected to obtain 600,000 boys and 700,000 girls over fourteen years of age. In addition to the intensely difficult situation on account of shortage of workers, many other factors, which decrease the labor potential, have to be taken into account, as, for instance, disturbances through air attacks; loss through exhaustion of workers; deficient housing of workers; insufficient food; the difficulties of a more intensive and longer sustaining of labor effort by the workers. Finally, the unfavorable development of the workers' incomes and the limited and decreased purchasing power of wages.

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The situation with regard to the employment of labor in agriculture was and remains most critically difficult. In order to harvest the grain crop of 1940, all labor reserves had to be utilized. In the eastern provinces, especially in East Prussia, it was possible only to get in the harvest through mustering prisoners, Poles, students and other workers. Further difficulties were encountered through the regulations concerning restraints upon change of job and the employment of youthful workers. A sufficient number of workers for agriculture during 1941 is of supreme military importance. In conjunction with the district food-provision-office exact statistics of workers will be made and beginning in the spring of 1941 allotments carried through. The following measures will be carried through: unceasing efforts to exhaust every possibility of obtaining workers from the conquered areas of the East and from the Generalgouvernement (Poland); the more intensive application of measures heretofore adopted to obtain additional workers; the further employment of war prisoners; importing workers from friendly and neutral countries; a more intensive use of compulsory labor on the farms and a new regulation with regard to the employment of youth.

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2.

A Few Examples of the Repercussions Caused
By Separating Workers from Certain
Industrial Branches.

In the branches of industry of most importance in the war effort, that is, in the mining, iron, metal and machine industries, the shifting of workers was greater than the average for the whole industry.

In the branches of industry important to the war effort over 75 percent of the employees are engaged in the manufacture of arms and ammunition. Making a further shift in these industries in favor of the defense forces, in accordance with the contracts that must now be executed, there will be by the end of March 1941 about 80 percent of all workers employed in defense activity.

It is important to make a few explanations with regard to those workers employed in other industries. Generally, these other industries are identified as those engaged in manufacturing for needs of the civil population and in this connection the idea creeps in that the needs of the civil population in war are more or less superfluous. It will be seen that the needs of the civil population are closely connected with a considerable number of production sectors essential in war and indispensable. There is, first of all, the necessity of maintaining the

essential

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essential war economy and transportation needs and the development of production and transportation installations, above all things, for military purposes. Then come the needs essential to the life of the civil population, and then, finally, those additional needs which arise from the war, and, finally, there is that export which is important to the war.

An excellent picture of the situation is afforded by glancing at the production statistics in the iron working industry. In that industry at the end of 1940, of 100 tons of steel 65.4 percent were ordered for the immediate use of the defense forces, 20 percent for other important public needs of military importance (railroads, postal requirements, the Four Years' Plan and the G. B. Building Program) and only 15 percent for other industrial and private needs. The other industrial and private needs are composed, for the most part, of maintenance and repair needs which are also of military importance (especially the maintenance of the mining industries, the iron production and metal industries). There must be added to that the important needs of agriculture, hand-working trades and export which, for the most part, have military importance.

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According to these statistics which are very much elucidated by a study of the individual items, the entire iron requirements, even to the smallest orders, are very urgent and are more or less important in the war effort. By a further shifting of production during 1941 in favor of the manufacture of arms and ammunition, decisions must be made in the various sectors of production according to urgency and military importance, which decisions must be carried out by postponing or rejecting the needs of those sectors where the least damage to the war effort and the general economic situation (degrees of urgency) will occur. As reports from the rest of the industrial groups show, this status of development has already arisen in a large part of industry; and, indeed, not the least in this group--the consumption goods industry (textiles, clothing, and food products).

In the building and in the consumption goods industry the employment of male workers in the manufacture of goods for the defense forces has made great progress, especially noticeable is the high percentage of employment on behalf of the defense forces in the buildings and clothing industry, as well as in the saw mills and woodworking industries. The greater activity also in these industries for defense purposes becomes so much

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much more crucial since the building and consumption goods industries have lost 100,000 workers through recruitment in the Army or through transfer to other industrial branches.

How serious the situation has become through differentiation on account of the purposes of employment of labor is clear from a report which has been received from the industrial group of textile manufacturers.

At the beginning of 1941 supplying the textile industry with workers had reached the point where only the most essential orders could be filled, postponing those which came from the Army. Examples of this are the deliveries of canvasses and tents for the resettlement of Immigré-Germans. The urgent manufacture of 200,000 mattresses for the air raid shelters in Berlin; the priority in the manufacture of sacks for the transport and storage of grain flour, dry beans, sugar and salt as precautionary measures against a dangerous crisis which was feared in the distribution of foodstuffs. The especial urgency of this and other tasks and the impossibility of carrying them through with the available workers has already brought it to pass that for certain branches of the textile industry, through the intervention of officials who have an immediate interest in the fulfillment of the contracts,

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contracts, certain workers have been ordered back from the front or through forced induction into service, so that the contracts could be taken care of.

Similar reports are available from all sectors engaged in the manufacture of consumption goods. For example, an important firm in the clothing industry feels that the determined quantity of clothing available in accordance with clothing cards can be made available in view of the present availability of the workers only with the greatest difficulty; and if in the future the situation becomes more critical with respect to the supply of labor, the goods cannot be manufactured. If the difficulty of the present situation has not become apparent in a general way, that is due to the fact that stocks of goods in the mills and retail shops are being drawn upon.

It must also be mentioned, in connection with the employment of workers in the consumption goods industries, that these factories have to a very large extent been compelled to employ workers of limited capacity (war veterans, old retired persons, etc.) in order to make up for the loss of workers to other industries.

An increase in 1941 of the production for the defense forces of another 10 percent will mean the additional

employment

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employment of approximately 1,500,000 men. A supply of labor to this extent can be obtained only through transferring contracts for the civil population to occupied territories or through an immensely increased employment of women; otherwise, most grave disturbances in the production of goods will take place. This shifting of the labor supply in favor of the manufacture of arms and ammunition must lead to a most serious disruption in the manufacture of other goods important to the war effort (railroads, post, Dr. Todt's Organization - building fortresses, roads, etc., the Four Years Plan, etc.). This shifting will likewise disrupt the manufactures needed for absolutely essential repairs and replacement needs, as well as the guaranteed provisioning of the inhabitants with consumption goods provided for in the rationing scheme, as clothing cards, etc.

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